

**BEFORE THE ILLINOIS COMMERCE COMMISSION
STATE OF ILLINOIS**

Frontier Communications Corporation, Verizon Communications,)
Inc., Verizon North Inc., Verizon South Inc., New)
Communications of the Carolinas, Inc.)

)
Joint Application for the approval of a Reorganization pursuant to)
Section 7-204 of the Public Utilities Act the Issuance of)
Certificates of Exchange Service Authority Pursuant to Sections)
13-405 to New Communications of the Carolinas, Inc.; the)
Discontinuance of Service for Verizon South Inc. pursuant to)
Section 13-406; the Issuance of an Order Approving Designation)
of New Communications of the Carolinas, Inc. as an Eligible)
Telecommunications Carrier Covering the Service Area Consisting)
of the Exchanges to be Acquired from Verizon South Inc. Upon)
the Closing of the Proposed Transaction and the Granting of All)
Other Necessary and Appropriate Relief.)

Docket No. 09-0268

PREFILED DIRECT TESTIMONY OF SUSAN M. BALDWIN

**ON BEHALF OF THE INTERNATIONAL BROTHERHOOD OF ELECTRICAL
WORKERS, LOCALS 21, 51, AND 702**

Filed: October 20, 2009

PUBLIC (REDACTED) VERSION

TABLE OF CONTENTS

BEFORE THE ILLINOIS COMMERCE COMMISSION	1
STATE OF ILLINOIS	1
I. INTRODUCTION	1
Qualifications.....	1
Purpose of Testimony	5
Organization of Testimony	5
Summary of Testimony	6
II. OVERVIEW OF APPLICATION	8
The Proposed Transaction	8
III. STANDARD OF REVIEW	18
IV. SYSTEMS INTEGRATION	19
Overview	19
Frontier’s track record.....	27
Analysis of service quality in two areas previously acquired by Frontier	30
Global Valley Networks.....	30
Frontier Rochester.....	31
Summary of analysis and recommendations regarding systems integration	37
V. BROADBAND	40
Joint Applicants’ Discussion of Broadband	40
Broadband in Illinois.....	41
Broadband “Lite”	43
Frontier’s broadband lines and investment	46
Verizon North’s and Verizon South’s broadband lines and investment	46
Summary of analysis and recommendations regarding broadband deployment.....	59
VI. SERVICE QUALITY	61
Impact of the transaction on service quality	61

Financial constraints	62
Impact of systems integration on service quality	63
Frontier’s due diligence regarding Verizon North’s infrastructure in Illinois.....	65
Frontier’s service quality in Illinois	66
ARMIS-based service quality at the Joint Applicants’ Holding Company level.....	73
Post-closing economic incentives confronting Frontier.....	81
Summary of analysis and recommendations regarding service quality	82
VII. CONCLUSION.....	84
Conclusion	102

Tables

Table 1	Frontier Access Lines Before and After Proposed Transaction
Table 2	Density of Verizon’s Operations in Spinco and Illinois
Table 3	Selected Financial and Operational Data as of December 31, 2008
HSC Table 4	Broadband Speeds of Selected Mid-Sized Rural Carriers
HSC Table 5	High Speed Internet in SpinCo Footprint
HSC Table 6	Incremental and Cumulative Costs of Achieving 100% DSL Availability in SpinCo Illinois
HSC Table 7	Verizon Cost Estimates to Expand DSL Deployment in SpinCo Territory

Figures

Figure 1	Initial Out of Service Trouble Reports per 100 Lines in Rochester: 2000-2008 (All Customers)
Figure 2	Initial Out of Service Interval in Rochester: 2000-2008 (All Customers)
Figure 3	Frontier New York Major Service Outages: 2000-2008 (by quarter)
Figure 4	Complaint Rate per 1,000 Lines for Frontier New York: May 2006 – December 2008
Figure 5	Average Installation Interval for Frontier Companies in Illinois: 2001-2008
Figure 6	Initial Trouble Reports per 100 Lines for Frontier and Verizon in Illinois: 2001-2008 (annual)
Figure 7	Initial Out of Service Interval for Frontier Companies in Illinois: 2001-2008

Figure 8	Average Installation Interval for Verizon Companies in Illinois: 2001 – 2008
Figure 9	Initial Out of Service Interval for Verizon Illinois Companies: 2001 – 2008
Figure 10	Repeat Out of Service Interval for Verizon Illinois Companies: 2001- 2008
Figure 11	Average Installation Interval for Verizon and Frontier (Holding Company): 2000-2008
Figure 12	Initial Trouble Reports per 100 Lines for Verizon and Frontier (Holding Company): 2000-2008 (annual)
Figure 13	Initial Out of Service Interval for Verizon and Frontier (Holding Company): 2000-2008
Figure 14	Repeat Trouble Reports per 100 Lines for Verizon and Frontier (Holding Company): 2000-2008 (annual)
Figure 15	Repeat Out of Service Interval for Verizon and Frontier (Holding Company): 2000-2008

Attachments

Attachment A	Statement of Qualifications of Susan M. Baldwin
--------------	---

Exhibits

Exhibit SMB-HSC-1	HSR Attachment 4.c.39 (cover page, page 3)
Exhibit SMB-2	Frontier’s Web Pages Advertising High Speed Internet Services
Exhibit SMB-HSC-3	April 16 Board of Directors Materials
Exhibit SMB-HSC-4	HSR Attachment 4.c.52, cover page and page 3.
Exhibit SMB-5	FCC Broadband Workshop “Technology/Fixed Broadband,” August 13, 2009, presentation of David Burstein, Editor, DSL Prime. Available at http://www.broadband.gov/ws_fixed_bb.html .
Exhibit SMB-6	“More Consumers in Seven Ohio Communities Have Access to Fast, Affordable Verizon High Speed Internet Service,” December 22, 2008.
Exhibit SMB-HSC-7	Confidential & proprietary attachment 4.c.45

I. INTRODUCTION

Qualifications

Q: Please state your name, position, and business address.

A: My name is Susan M. Baldwin. I am a consultant, and my business address is 17
Arlington Street, Newburyport, MA, 01950.

Q: Please summarize your educational background and professional experience.

A: I have been specializing in telecommunications economics, regulation, and public policy,
for 25 years. I have prepared a Statement of Qualifications, which is included as
Attachment A.

**Q: Have you previously testified before the Illinois Commerce Commission
("Commission")?**

A: No.

Q: Have you testified before other State Commissions?

A: Yes. As Attachment A to my testimony shows, I have testified before nineteen state
commissions on diverse telecommunications issues encompassing such matters as
alternative regulation, revenue requirement, service quality, local competition, mergers,
infrastructure deployment, universal service, cost studies, rate design, telephone
numbering, and unbundled network elements.

**Q: Have you analyzed major transactions concerning telecommunications carriers in
other regulatory proceedings?**

A: Yes. During the past eleven years, I have participated in numerous state and federal
regulatory proceedings concerning mergers and spin-offs by telecommunications

23 companies. Most recently, on behalf of the New Hampshire Office of Consumer
24 Advocate (“OCA”), I analyzed the proposed sale by Verizon New England, Inc. (“Verizon
25 New England”) of its New Hampshire operations to FairPoint Communications, Inc.
26 (“FairPoint”) to assess the impact of the proposed transaction on consumers¹ and also
27 testified on behalf of IBEW in Ohio regarding the proposed Verizon-Frontier transaction.

28 **Q: Have you participated in other proceedings concerning Verizon companies’**
29 **operations?**

30 A: Yes. I have participated in numerous state and federal proceedings concerning the
31 regulation of many different aspects of Verizon and its predecessor companies (New
32 England Telephone and Telegraph Company (“NET”), NYNEX Corporation
33 (“NYNEX”), and Bell Atlantic), including such issues as its mergers with its potential and
34 actual competitors, deployment and pricing of new services, revenue requirement, retail
35 and wholesale rate design, retail and wholesale cost studies, service quality, regulatory
36 framework, affiliate transactions, and consumer protection.

37 **Q: Deployment of advanced services is one of the issues that the proposed transaction**
38 **raises. Have you addressed this issue previously?**

39 A: Yes. Among my recent work in this area is the preparation of comments, submitted in
40 Federal Communications Commission (“FCC”) proceedings, on behalf of consumer
41 advocates regarding numerous aspects of broadband services: the National Broadband
42 Plan, deployment, industry practices, competition, consumer protection, and data

¹ / Verizon New England Inc., Bell Atlantic Communications, Inc., NYNEX Long Distance Company, Verizon Select Services Inc. and FairPoint Communications, Inc. Joint Petition for Authority to Transfer Assets and Franchise to FairPoint Communications, Inc., New Hampshire Public Utilities Commission Docket No. DT-07-011, testimony of Susan M. Baldwin, on behalf of the Office of Consumer Advocate, filed August 1, 2007.

collection and analysis.²

Also, when I served as the Director of Telecommunications for the Massachusetts Department of Public Utilities (“DPU”) (subsequently the Department of Telecommunications and Energy, and now the Department of Telecommunications and Cable), I frequently dealt with issues concerning the deployment of then-advanced infrastructure in the more sparsely populated parts of Massachusetts. For example, while I was the Director of Telecommunications, the DPU directed NET to accelerate its replacement of electromechanical switches in the Berkshires,³ and in another proceeding, directed NET to set more affordable rates for and accelerate the deployment of its then state-of-the-art Integrated Services Digital Network (“ISDN”) service.⁴ Although

² / Some of these FCC proceedings include: *In The Matter of A National Broadband Plan for Our Future*, GN Docket No. 09-51, Notice of Inquiry (“Broadband Plan NoI”), 24 FCC Rcd 4342 (rel. April 8, 2009); *In the Matter of Broadband Industry Practices*, WC Docket No. 07-52, Notice of Inquiry (“Broadband Industry Practices NoI”), FCC 07-31 (rel. April 16, 2007); *In the Matter of Development of Nationwide Broadband Data to Evaluate Reasonable and Timely Deployment of Advanced Services to All Americans, Improvement of Wireless Broadband Subscribership Data, and Development of Data on Interconnected Voice over Internet Protocol (VoIP) Subscribership*, WC Docket No. 07-38, Notice of Proposed Rulemaking, rel. April 16, 2007 (“Broadband Data NPRM”); *In the Matter of Inquiry Concerning the Deployment of Advanced Telecommunications Capability to All Americans in a Reasonable and Timely Fashion, and Possible Steps to Accelerate Such Deployment Pursuant to Section 706 of the Telecommunications Act of 1996*, GN Docket No. 07-45, Notice of Inquiry, FCC 07-21, rel. April 16, 2007 (“Broadband Deployment Notice”); *In the Matter of Consumer Protection in a Broadband Era*, WC Docket No. 05-271. I also participated in several merger proceedings, in which the FCC addressed broadband deployment.

³ / State regulators directed NET (now Verizon) to accelerate its replacement of outdated electromechanical central office switches in rural Massachusetts so that some communities would not be left behind, lacking access to touch tone, while NET advertised then-new features, such as call waiting, in urban and suburban communities. State regulators also directed NET to improve service quality in specific regions of the state where aging outside plant yielded inferior service quality. Massachusetts D.P.U. 89-300, *New England Telephone Company*, June 29, 1990.

⁴ / The Massachusetts DPU found that ISDN is a “monopoly, basic service that has a potentially far- reaching and significant role in the telecommunications infrastructure of the Commonwealth” and directed NET to deploy ISDN more broadly so that consumers could avail themselves of this then “advanced” technology. *ISDN Basic Service*, Mass. D.P.U. 91-63-B, February 7, 1992, p. 34.

54 technology has evolved greatly since the late 1980s and early 1990s, public policy
55 concerns about consumers' disparate levels of access to advanced telecommunications
56 services and incumbent carriers' seemingly unilateral ability to control the deployment and
57 prices of advanced services seem largely unchanged.

58 **Q: Service quality is another concern in this proceeding. Have you analyzed service**
59 **quality in other regulatory proceedings?**

60 A: Yes. I have examined service quality data and the regulation of service quality in
61 numerous proceedings. When I was the Director of Telecommunications for the
62 Massachusetts DPU, the DPU conducted a comprehensive analysis of voluminous service
63 quality data submitted by NET,⁵ and later, on behalf of the Massachusetts Attorney
64 General, I analyzed service quality indices and productivity offsets as part of my analysis
65 of the proposed price cap plan submitted by NYNEX – Massachusetts.⁶ I have addressed
66 the service quality elements of various alternative regulation plans in numerous other
67 states; analyzed service quality in the context of a general rate case in Arkansas;⁷ and
68 prepared a detailed report on service quality and price cap plans on behalf of the Utah
69 Division of Public Utilities.⁸

70
71 More recently, on behalf of the Communications Workers of America, I testified in
72 proceedings in Connecticut and Maryland regarding service quality, and in Massachusetts,

⁵/ D.P.U. 89-300 (in the context of a traditional rate of return proceeding).

⁶/ D.P.U. 94-50.

⁷/ Arkansas Public Service Commission Docket No. 03-041-U.

⁸/ "Price Cap Plan for USWC: Establishing Appropriate Price and Service Quality Incentives for Utah" (Patricia D. Kravtin, Scott C. Lundquist, and Susan M. Baldwin). Prepared for the Utah Division of Public Utilities, March 22, 2000.

I am currently participating in an investigation of service quality on behalf of the Attorney General.

Purpose of Testimony

Q: On whose behalf is this testimony submitted?

A: This testimony is submitted on behalf of the International Brotherhood of Electrical Workers, Locals 21, 51, and 702 (“IBEW”).

Q: What is the purpose of your testimony at this time?

A: IBEW asked me to analyze the merits of the proposed sale by Verizon Communications Inc. (“Verizon”) of its assets to Frontier Communications Inc. (“Frontier”) (collectively, “Joint Applicants”), and the implications of the transaction for consumers in Illinois.

Q: What is the scope of your testimony?

A: Generally, my testimony:

- Analyzes the specific risk of systems integration and its potential impact on consumers;
- Analyzes the probable impact of the proposed transaction on network infrastructure and broadband deployment;
- Analyzes the impact of the proposed transaction on service quality;
- Assesses the plausibility of the purported benefits that the Joint Applicants describe regarding broadband deployment and service quality; and
- Relies on the analyses and conclusions in the testimony of Randy Barber regarding Frontier’s ability to finance the transaction, Frontier’s financial fitness, flaws with Frontier’s financial projections, and integration and execution risks.

Organization of Testimony

Q: Ms. Baldwin, how is your testimony organized?

A: This section introduces my testimony. Section II provides a background of this

proceeding. Section III provides my understanding of the Commission's standard of review for the proposed transaction. In Section IV, I analyze the implications of systems integration for consumers. Section V analyzes Frontier's broadband promises. Section VI analyzes the implications of the proposed transaction for the level of service quality that consumers receive in Illinois. Section VII concludes my testimony.

Summary of Testimony

Q: Please summarize your major findings and recommendations.

A: My testimony demonstrates, among other things, that:

- Frontier's post-closing reliance on Verizon's support systems (for retail and wholesale customers, billing, ordering, dispatching, etc.) could be expensive.
 - Funds used for maintenance of Verizon's support systems then would not be available for capital investment.
- Integrating Verizon North's systems with Frontier's systems likely will be time-consuming and potentially disruptive.
 - Each of Frontier's acquisitions of other companies that are discussed in the Joint Applicants' testimony occurred primarily in a single state and entailed far fewer access lines than are contemplated in the proposed transaction.
 - In Rochester, systems integration did not occur until seven years after the transaction closed. Even then, the conversion was accompanied by spikes in service quality problems.
- Frontier has not demonstrated that it has conducted comprehensive due diligence regarding the state of Verizon North's infrastructure in Illinois.
 - Frontier and its customers would have no recourse if, post-closing, Frontier discovers that more funding is necessary than it had anticipated to address aging infrastructure.
- Frontier has not demonstrated that it would improve upon Verizon North's broadband deployment and pricing.
 - In contrast with Verizon's experience throughout its national footprint with FiOS, "ultra 7 mbps" and other DSL services, Frontier's broadband experience is largely limited to speeds up to 3 mbps download and 384 kbps upload.

- Frontier has not demonstrated why it would be able to justify broadband deployment to areas that Verizon North has not yet served – the locations where Verizon North has already deployed DSL are the least costly or most profitable.

- If the transaction goes awry, consumers will bear the consequences.
 - Albeit not identical to the transaction under investigation, the FairPoint experience is nonetheless instructive.
 - Verizon North (and its predecessor companies) has had the century-long opportunity to serve consumers primarily under monopoly conditions and through that opportunity to rely on consumer-generated funds to build an extensive network. Yet, if this deal goes sour, consumers, and not Verizon, would suffer the consequences.
- No set of conditions would offset the risks of the transaction. I recommend, therefore, that the Commission deny the application and reject the proposed transaction.
 - If, nonetheless, the Commission decides to grant the application, it should impose conditions with specific measurable and enforceable commitments that would at least partially offset the risks to consumers.

147

148

II. OVERVIEW OF APPLICATION

149

The Proposed Transaction

150

Q: Please describe your understanding of the proposed transaction.

151

A: According to the Prospectus Frontier filed with the Securities and Exchange Commission

152

on September 16, 2009, Frontier proposes to purchase Verizon's rural assets in 14 states.⁹

153

As described in the Prospectus, these assets include:

154

[L]ocal exchange service, designated intrastate and interstate long distance

155

service, network access service, Internet access service, enhanced voice

156

and data services, digital subscriber line services, referred to as DSL, fiber-

157

to-the-premises voice, broadband and video services, wholesale services,

158

operator services, directory assistance services, customer service to end

159

users, and, in connection with the foregoing, repairs, billing and collections,

160

as well as other specified activities of Verizon in the Spinco territory. The

161

conveyed assets will specifically include designated fiber-to-the-premises

162

network elements and customer premises equipment at fiber-to-the-

163

premises subscriber locations in the states of Indiana, Oregon and

164

Washington and specified related transmission facilities.¹⁰

165

166

The transaction would make Frontier the fifth largest incumbent local exchange carrier

167

("ILEC") in the United States.¹¹ Table 1 summarizes the number of Frontier lines, per

168

state, pre- and post closing.

⁹ / Frontier filed several drafts of the prospectus with the S.E.C., known as preliminary S-4 filings.

¹⁰ / Prospectus, at 10.

¹¹ / *Id.*, at 11.

169
170

Table 1
Frontier Access Lines Before and After Proposed Transaction¹²

State	Before Transaction		After Transaction
	Frontier	Spinco	Combined Company
Arizona	145,241	6,297	151,538
California	143,871	24,205	168,076
Idaho	20,035	113,002	133,037
Illinois	97,461	573,321	670,782
Indiana	4,647	718,251	722,898
Michigan	19,102	507,462	526,564
Minnesota	210,983	0	210,983
New York	683,880	0	683,880
North Carolina	0	263,479	263,479
Ohio	552	634,153	634,705
Oregon	12,626	309,904	322,530
Pennsylvania	427,489	0	427,489
South Carolina	0	127,718	127,718
Washington	0	578,506	578,506
West Virginia	143,982	617,036	761,018
Wisconsin	62,007	281,350	343,357
Other States ⁽¹⁾	282,457	35,989	318,446
Total:	2,254,333	4,790,673	7,045,006
(1) Includes Tennessee, Nevada, Iowa, Nebraska, Alabama, Utah, Georgia, New Mexico, Montana, Mississippi and Florida.			

171

172 **Q: How and when did the proposed transaction come about?**

173 A: On February 11, 2009, Frontier's Chairman, President and CEO, Mary Agnes Wilderotter,
174 contacted Verizon's Chairman and CEO, Ivan Seidenberg, about the possibility of Frontier
175 acquiring portions of Verizon's local exchanges business. In early March, the two spoke
176 again about a preliminary proposal, which Frontier presented to Verizon on March 11,

¹² / *Id.*, at 159.

2009. By April 29, 2009, the parties had agreed to a working framework for valuing the transaction. On March 3, 2009, Frontier presented Verizon with a draft merger agreement. On May 13, 2009, Frontier and Verizon finalized and executed the merger agreement and announced the proposed merger.¹³

Q: How many days passed between Ms. Wilderotter's initial contact with Mr. Seidenberg and the signing of the merger agreement?

A: The discussions and negotiations lasted 90 days, but the duration of the substantive discussions was only approximately two months – between mid-March and mid-May. Further discussions resulted in an amendment to the merger clarifying some terms. This amendment was signed on July 24, 2009.¹⁴

Q: When did the Joint Applicants submit their application to the Commission?

A: The Joint Applicants submitted their application to the Commission on June 4, 2009. On July 8, 2009, Daniel McCarthy, Executive Vice President and Chief Operating Officer, submitted testimony on behalf of Frontier, and Carl E. Erhart, President of the Central Region for Verizon Communications, submitted testimony on behalf of Verizon Communications Inc, Verizon North Inc., Verizon South Inc., New Communications of the Carolinas Inc.

Q: What topics do Messers McCarthy and Erhart cover in their initial testimony?

A: Mr. Erhart, on behalf of Verizon, discusses the mechanics of the proposed transaction, and the structure and operation of the relevant Verizon and Frontier assets after the closing of

¹³ / *Id.*, at 46-51.

¹⁴ / *Id.*, at 51.

the transaction.¹⁵ Mr. McCarthy discusses Frontier’s record of service in 24 states, Frontier’s general business strategy and how the proposed transaction aligns with that strategy, the company’s financial standing, the organizational structure of the company post-transaction, and the benefits that may accrue to customers as a result of the transaction.¹⁶

Q: How does Mr. McCarthy describe Frontier’s current business?

A: Mr. McCarthy states that Frontier provides “telephone, television, and Internet services, as well as bundled services, wireless internet data access, data security solutions, and specialized bundles for small/medium/large businesses and home offices to customers in 24 states.”¹⁷ Mr. McCarthy further states that Frontier serves mainly small and medium-sized rural areas.¹⁸

Q: How does Mr. McCarthy describe Frontier’s recent growth?

A: Mr. McCarthy states that Frontier has grown three-fold through targeted acquisitions in the past ten years.¹⁹

Q: How does the proposed acquisition of Verizon’s rural assets compare to Frontier’s growth over the past ten years?

A: If the proposed transaction is approved, Frontier’s national operations would grow three-

¹⁵ / Erhart Direct (Verizon), at 4.

¹⁶ / McCarthy Direct (Frontier), at 2.

¹⁷ / *Id.*, at 3.

¹⁸ / *Id.*, at 5.

¹⁹ / *Id.*, at 6.

fold overnight, in contrast with its earlier ten-year period of incremental growth.

Frontier's Illinois operations would expand substantially, from approximately 97,000 lines to serving approximately 670,000 lines.²⁰

Q: Briefly, how does Mr. McCarthy characterize the reasons for the proposed transaction?

A: Mr. McCarthy states that ILECs are being forced to re-evaluate how they operate, and to make key strategic choices. He also asserts that although small or secondary markets may not be attractive to some ILECs, these are the markets where Frontier chooses to focus its efforts.²¹

Q: Describe Frontier's corporate organization after the proposed transaction.

A: Mr. McCarthy states that Frontier and its wholly-owned subsidiaries would own and control the assets, customer relationships and operations transferred through the proposed transaction, and would continue to own and control its current operations. Current Frontier management is expected to manage the combined business.²²

Q: Does the transaction require any approvals other than that of the Commission?

A: Yes. The merger agreement also requires the approval of regulators in Arizona, California, Nevada, Ohio, Oregon, South Carolina, Washington, and West Virginia. Regulators in other states may require that Frontier, Verizon, or both companies obtain approvals or authorizations. In addition, Verizon must obtain regulatory approval in Pennsylvania to transfer a portion of Verizon's ILEC operations out of Verizon North.

²⁰ / McCarthy Direct (Frontier), at 7; Erhart Direct (Verizon), at 10.

²¹ / McCarthy Direct (Frontier), at 18-19.

²² / *Id.*, at 9.

Frontier and Verizon must acquire approval to provide video service in 41 local franchise authorities in Oregon and Washington.²³ Also, the FCC is investigating the transaction in WC Docket No. 09-95.²⁴

Q: Please provide a brief overview of the scale of operations that Frontier and Verizon each control presently in Illinois.

A: According to Mr. McCarthy, Frontier serves approximately 97,000 access lines in Illinois.²⁵ Mr. McCarthy states that “Frontier has made High-Speed Internet available to approximately 80% of the households in its Illinois service area.”²⁶

According to Mr. Erhart, Verizon serves approximately 573,000 access lines in Illinois.²⁷ Data reported to the FCC show that Verizon serves approximately 3,600 lines on a resale basis, approximately 3,900 unbundled network element loops (“UNE loops”) and approximately 12,000 “Wholesale Advantage” loop platforms in Illinois.²⁸ According to FCC’s Automated Reporting Management Information System (“ARMIS”), Verizon’s total operating revenues in Illinois in 2007, the last year for which data are available, were \$460 million, its intrastate regulated revenues were \$259 million and its interstate

²³ / Prospectus, at 73.

²⁴ / Initial comments and reply comments were filed with the FCC on September 21 and October 13, respectively. See FCC Public Notice, Applications Filed by Frontier Communications Corporation and Verizon Communications Inc. for Assignment or Transfer of Control, WC Docket No. 09-95, released: August 11, 2009.

²⁵ / McCarthy Direct (Frontier), at 7.

²⁶ / *Id.*, at 13.

²⁷ / Erhart Direct (Verizon), at 10.

²⁸ / FCC, Wireline Competition Bureau, “Selected June 30, 2008 Data Filed for the Incumbent Local Exchange Carrier Operations of the Regional Bell Operating Companies.” “Wholesale Advantage” is a product that replaces unbundled network element platform (“UNE-P”) as a result of the FCC’s order eliminating the requirement that ILECs offer UNE-Ps to competitors.

250 regulated revenues were \$170 million.²⁹

251 **Q: Please describe more about Verizon's operations in Illinois.**

252 A: Verizon's Illinois territory encompasses <<<**BEGIN CONFIDENTIAL &**

PROPRIETARY

257

END CONFIDENTIAL & PROPRIETARY>>>

265 **Q: What are the implications, at a very general level, of Frontier acquiring Verizon's**

²⁹ / FCC Report 43-01, the ARMIS Annual Summary Report, Table I. Cost and Revenue, Row 1090.

³⁰ / HSR Attachment 4.c.8, page 8.

³¹ / HSR Attachment 4.c.8, page 8.

operations in Illinois?

A: The transaction would lead to a huge change in the scale of Frontier's nationwide and Illinois operations, which, in turn, has implications for, among other things, systems integration, broadband deployment, and quality of service. In Illinois, Frontier would be "scaling up" to increase significantly its retail and wholesale operations. Also, simultaneously, Frontier would acquire operations in 13 other states.

Q: Please describe the difference in size between Frontier Communications and "Spinco" (the assets Frontier proposes to purchase from Verizon).

A: Table 3 below summarizes some key statistics relating to the relative sizes of the Joint Applicants and the combined company, based on data provided in Frontier's Prospectus.

Table 3³²
Selected Financial and Operational Data as of December 31, 2008
(Dollars in Millions)

	<u>Frontier</u>	<u>Spinco</u>	<u>Combined Company</u>
Operating Revenues	\$2,237	\$4,352	\$6,494
Net Income	\$183	\$552	\$572
Capital Expenditures	\$288	\$730	\$1,018
Access Lines	2,254,333	4,766,000	7,020,333
Residential Access Lines	1,454,268	NA	NA
Business Access Lines	800,065	NA	NA
High Speed Internet Subscriptions	579,943	887,000	1,466,943
FiOS Internet subscriptions	0	110,000	110,000
Video subscriptions	119,919	69,000	188,919
NA: not available			

Q: Why are Frontier's plans in other jurisdictions relevant to this proceeding?

³² / Prospectus, at 16, 17, 128, 148, 152, and 172.

283 A: The complexity of the transaction in general could jeopardize the success of the
284 transaction within Illinois, with corporate resources being spread over the 14 affected
285 states.

286 **Q: Ms. Baldwin, you mentioned earlier that you have examined numerous acquisitions,**
287 **mergers, and spin-offs, dating back to the late 1990s. Is there anything that, in your**
288 **view, distinguishes this proposed transaction from the other transactions that you**
289 **have analyzed?**

290 A: Yes. Of the many mergers, acquisitions, and spin-offs that I have analyzed, this
291 transaction most closely resembles the FairPoint transaction in the risks that it presents.
292 The many mergers among Bell operating companies, between Bell Atlantic and GTE, and
293 between ILECs and the nation's largest interexchange carriers (the AT&T/SBC and
294 Verizon/MCI mergers) raised serious concerns about the loss of competitors in relevant
295 markets and concerns about vague promises of benefits, among other things, but did not
296 raise such sobering questions about the acquiring company's financial and technical
297 resources to run a telephone company.

298 **Q: Mr. McCarthy asserts that this transaction differs from the FairPoint transaction.³³**
299 **Please comment.**

300 A: Every company is different, and of course each transaction raises its own set of issues that
301 merit specific regulatory attention. However, along the spectrum of transactions that I
302 have examined in the past eleven years, for the reasons set forth in my testimony and in the
303 testimony of Mr. Barber, I believe that this transaction is most similar in its structure and

³³ / McCarthy Direct (Frontier), at 28-30.

304 risks to the FairPoint transaction. The merger of CenturyTel and Embarq was a merger of
305 approximate equals and certainly is not similar to the sale from a large company with
306 substantial resources to a small company with far fewer resources. Also, for the many
307 reasons discussed in my testimony and in the testimony of Mr. Barber, the proposed
308 *transfer* of assets and operations, including the conversion of operating and support
309 systems, is not similar to the CenturyLink *combination*. CenturyTel acquired Embarq in
310 its entirety; it was not necessary to move, convert, separate, or replicate any computer
311 systems, call centers, operations centers, or any other facilities. In contrast, the proposed
312 Verizon-Frontier transaction involves a highly complex process of moving numerous
313 Verizon operations to new locations (including call centers, dispatch centers, data centers,
314 and even the network operations center), replicating and testing hundreds of computer
315 systems, and even fully converting onto Frontier's systems all of the systems used to
316 operate Verizon West Virginia. None of this was necessary in the Embarq-CenturyTel
317 transaction.

318

319

III. STANDARD OF REVIEW

320 **Q: What is your understanding of the standard of review that applies to the proposed**
321 **transaction?**

322 A: I am advised by counsel that section 7-204 of the Public Utilities Act requires the
323 Commission to make several findings in order to approve this transaction. My testimony
324 primarily addresses one of those issues:

325 (1) The proposed reorganization will not diminish the utility's ability to
326 provide adequate, reliable, efficient, safe and least-cost public utility
327 service.³⁴
328

329 Clearly many factors influence whether an acquisition is in the public interest and will not
330 diminish the utility's ability to provide safe and reliable service, such as the financial,
331 technical, and managerial capabilities of the acquiring company. In this testimony, I
332 examine in particular whether the proposed transaction is in the public interest and
333 whether it will lead to adequate service.

334

335 In the following sections of my testimony, I demonstrate that the proposed transaction
336 does not meet the statutory criteria because the transaction likely would cause customer
337 service and service quality to deteriorate.

338

339

³⁴ 220 ILCS 5/7-204(b)(1).

340

341

IV. SYSTEMS INTEGRATION

342

Overview

343

Q: Does the proposed transaction require the transfer of various customer support systems from Verizon North to Frontier?

344

345

A: Yes. Presently, Verizon North and Verizon South relies on many customer service support systems for activities such as retail ordering and billing, wholesale ordering and billing, and network monitoring and maintenance. Frontier must replicate and eventually integrate the relevant support systems.

346

347

348

349

Q: How do the Joint Applicants explain their plans for transferring various support operations (for billing, dispatching technicians, etc.) from Verizon to Frontier in Illinois?

350

351

352

A: Mr. Erhart explains that Verizon North and Verizon South continue to use the systems that were put in place when these assets were part of the GTE Corporation. Prior to closing, Verizon will replicate the GTE systems used to operate Verizon North and Verizon South and transfer the replicated systems to Frontier as physically separate functional systems, but “substantially identical” to Verizon’s systems.³⁵

353

354

355

356

357

Q: Will Verizon provide technical support for the systems after the transition?

358

A: Yes. Mr. Erhart states

359

In addition, to further ensure a smooth transition, Verizon will continue to provide system support for at least a year after close, and Frontier may

360

³⁵ / Erhart Direct (Verizon), at 15-16.

361 elect to continue to take some or all of the support from Verizon after the
362 first year.³⁶

363 **Q: Would a fee apply to such support for the first and subsequent years?**

364 A: Yes. The agreements between Verizon and Frontier provide for an annual maintenance
365 fee of \$94,000,000, with the fee being adjusted each year for inflation.³⁷ As explained by
366 Mr. McCarthy:

367 From a general perspective, Verizon will provide maintenance services.
368 And maintenance services is defined as support for all of the operating
369 systems that we will acquire as part of this transaction; and they will have
370 adequate staff to not only support those platforms but implement
371 modifications and software upgrades. And those -- it's a very wide sweep
372 of software platforms that ranges the gamut from billing, both retail,
373 commercial, wholesale, operational support systems as well as -- and all the
374 things that go around obviously running the operations; but also copies of
375 the systems for general ledger, for AP, for payroll, all of those systems will
376 also be replicated and the support that we get under the maintenance
377 agreement supports all of those applications.³⁸

378
379 The agreement terminates in five years, but Verizon has the ability to stop providing
380 support for all or a portion of the software after three years.³⁹

381 **Q: Does the prospectus provide any further information on systems integration?**

382 A: Yes. Among other things, the prospectus states:

383 The acquisition of the Spinco business is the largest and most significant
384 acquisition Frontier has undertaken. Frontier management will be required
385 to devote a significant amount of time and attention to the process of
386 integrating the operations of Frontier's business and the Spinco business,
387 which may decrease the time they will have to serve existing customers,

³⁶ / *Id.*, at 18.

³⁷ / Prospectus, p. 107.

³⁸ / *In the Matter of The Application of Frontier Communications Corporation, New Communications Holdings, Inc. and Verizon Communications Inc. for Consent and Approval of a Change in Control*, Public Utilities Commission of Ohio Case No. 09-454-TP-ACO, Deposition of Daniel J. McCarthy, September 30, 2009 ("McCarthy Deposition"), at 44-45.

³⁹ / Prospectus, p. 107.

388 attract new customers and develop new services or strategies. Frontier
389 expects that the Spinco business will be operating on an independent basis,
390 separate from Verizon's other businesses and operations, immediately prior
391 to the closing of the merger (other than with respect to the portion
392 operated in West Virginia, which is expected to be ready for integration
393 into Frontier's existing business at the closing of the merger) and will not
394 require significant post-closing integration for Frontier to continue the
395 operations of the Spinco business immediately after the merger. However,
396 the size and complexity of the Spinco business and the process of using
397 Frontier's existing common support functions and systems to manage the
398 Spinco business after the merger, if not managed successfully by Frontier
399 management, may result in interruptions of the business activities of the
400 combined company that could have a material adverse effect on the
401 combined company's business, financial condition and results of operations.
402 In addition, Frontier management will be required to devote a significant
403 amount of time and attention before completion of the merger to the
404 process of migrating the systems and process supporting the operations of
405 the Spinco business in West Virginia from systems owned and operated by
406 Verizon to those owned and operated by Frontier. The size, complexity
407 and timing of this migration, if not managed successfully by Frontier
408 management, may result in interruptions of Frontier's business activities.⁴⁰

409
410 Furthermore, the prospectus specifically identifies, among the various risks and
411 uncertainties relating to the transaction, "the ability to successfully integrate the Spinco's
412 business's operations into Frontier's existing operations" and also "the ability to migrate
413 the Spinco business's West Virginia operations from Verizon owned and operated systems
414 and processes to Frontier owned and operated systems and processes successfully."⁴¹

415 **Q: Why is the cutover that would be required in West Virginia relevant to this**
416 **proceeding?**

417 **A:** As the Prospectus recognizes in the excerpts quoted above, the cutover represents a risk
418 to the entire transaction, and therefore potentially affects consumers throughout the 14-

⁴⁰ / *Id.*, p. 24-25.

⁴¹ / *Id.*, p. 37.

419 state footprint.

420 **Q: How does Frontier describe the realignment activities of Verizon as they relate to**
421 **the proposed transaction?**

422 A: As explained in Frontier's Prospectus:

423 Verizon has agreed to segregate the operation of the Spingo business in the
424 Spingo territory (other than West Virginia) from Verizon's other
425 businesses, referred to as the realignment, such that the "sufficiency of
426 assets" representation of Verizon included in the merger agreement will be
427 accurate as of the closing of the merger in accordance with the closing
428 condition set forth in the merger agreement. The sufficiency of assets
429 representation is subject to qualifications and assumptions and should be
430 read in its entirety. No later than 60 days prior to the reasonably anticipated
431 closing date, Verizon will notify Frontier stating that the realignment has
432 been completed as of the date of such notice, and Frontier will be granted
433 reasonable rights of access from time to time to validate and confirm the
434 completion of the realignment (including the functioning of principal
435 operating systems) in accordance with the merger agreement. Verizon has
436 agreed that it will not take any action in connection with the realignment
437 that would result in any material increase in the number of employees
438 performing each material function of the Spingo business above the number
439 of employees performing such function as of the date of the merger
440 agreement.

441
442 Verizon has also agreed to create a separate instance of the Verizon
443 proprietary software systems used in the conduct of the Spingo business in
444 the Spingo territory (other than West Virginia) and to install that software
445 on equipment the majority of which will be located in a data center in Fort
446 Wayne, Indiana, that will be owned by a subsidiary of Spingo as of the
447 closing of the merger (with the balance of this equipment to be made
448 available on a firewall basis from Verizon after the closing of the merger
449 and to be transferred by Verizon to the Fort Wayne data center within one
450 year following the closing of the merger).⁴²

451
452 **Q: What are the anticipated costs of systems integration?**

453 A: The cost of systems integration is uncertain. Frontier states:

⁴² / Prospectus, at 90. See also the Agreement and Plan of Merger, Section 7.24 (Realignment).

In addition, the combined company will incur integration costs primarily related to information systems, network and process conversions (including hardware and software costs). The specific details of these integration plans will be refined as the integration is implemented over the next three years and will be recorded based on the nature and timing of the specific action.⁴³

Q: Does Frontier explain how and when it will replicate the hundreds of functions which Verizon now performs, after the transaction occurs?

A: Mr. McCarthy states that Verizon's existing systems:

[S]upport retail ordering and billing, wholesale ordering and billing, network monitoring and maintenance, and all customer support functions. Prior to the closing, Verizon will replicate and physically separate these systems from the systems it will continue to use for its own operations after the close. These separate, centralized systems will be dedicated to the operations being acquired by Frontier.⁴⁴

Q: Then is it your understanding that Frontier will use replications of Verizon's systems indefinitely?

A: No. It is my understanding that eventually Frontier intends to integrate the Spenco systems with Frontier's own systems. Mr. McCarthy, in discussing Frontier's previous acquisitions, states,

In each of these transactions, Frontier successfully integrated all of these businesses with its operations and consolidated different customer service systems. Today, each of Frontier's operating companies utilizes the same customer service and billing system platform.⁴⁵

Frontier has not indicated specifically when it intends to convert from the replicated

⁴³ / Prospectus, at 172.

⁴⁴ / McCarthy Direct (Frontier), at 26.

⁴⁵ / McCarthy Direct (Frontier), at 20.

versions of Verizon's systems to its own systems, but in its prospectus, Frontier refers to implementing the integration "over the next three years."⁴⁶

Q: What is the significance of Frontier's ambiguous timeframe for systems conversion?

A: Perhaps Frontier seeks to distinguish the transaction itself from a future possibly complicated migration over to its own systems. In retaining the Verizon systems for an unspecified time after closing, Frontier is able to reassure the Commission that the *transaction* will not lead to service quality problems, customer complaints, billing error, as occurred in the FairPoint transaction.

Q: What incentive exists for Frontier to integrate the management of Spinco assets into its own systems?

A: The \$94 million per year maintenance/service fee that Frontier will pay to Verizon for the use of Verizon's systems provides a large incentive for Frontier to integrate the management of Spinco assets into its own systems. When considered in light of the anticipated annual synergies of \$500 million, this annual fee is enormous. Another reason for Frontier to change Spinco assets over to Frontier's systems is the relative simplicity of using one set of management systems for all of its operating companies rather than multiple systems. In addition, three years after closing, Verizon has the right to stop supporting any or all of its systems, with an obligation only to provide Frontier with notice and a copy of the computer source code.⁴⁷ Thus, there is a significant risk to Frontier that it would be unable to support the Verizon systems in the future. For all of these reasons,

⁴⁶ / Prospectus, p. 175.

⁴⁷ / Prospectus, p. 107.

502 it appears likely that Frontier will attempt to transition away from the Verizon systems
503 within two to three years after closing.

504 **Q: Has Verizon provided the realignment plan that explains how it will create the**
505 **systems Frontier will need to run the business?**

506 A: Yes. Verizon submitted a Realignment Plan, dated September 22, 2009.⁴⁸

507 **Q: Have you reviewed the Realignment Plan?**

508 A: Yes. <<<BEGIN CONFIDENTIAL & PROPRIETARY [REDACTED]

[REDACTED] [REDACTED]

[REDACTED]

511 [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

519 [REDACTED]

[REDACTED]

[REDACTED]

522 [REDACTED]

⁴⁸ / Verizon Response to IBEW 4.19.

Age Group	Number of People
0-4	~1000
5-9	~1000
10-14	~950
15-19	~400
20-24	~800
25-29	~1000
30-34	~950
35-39	~550
40-44	~850
45-49	~950
50-54	~900
55-59	~300
60-64	~950
65+	~1000

535 [REDACTED] **END CONFIDENTIAL & PROPRIETARY>>>** I recommend
536 that the Commission require the Joint Applicants to submit regular updates to the
537 Commission regarding progress and any changes to the Realignment Plan during this
538 proceeding.

539 **Q: What do you conclude from your review of these documents?**

540 A: I conclude that Frontier's due diligence process was rushed (approximately three months
541 passed between the initial exploration and the announced transaction); substantial
542 resources will be required to complete the planned integration; and uncertainties about
543 significant aspects of the transaction, which would affect customer support, remain.

544 **Q:** In Section II of your testimony, you discuss the volumes of wholesale lines that

545 **Verizon supports. Please elaborate further in the context of systems integration.**

546 A: Verizon's wholesale support systems are numerous and complex. In addition to
547 integrating retail support systems, Frontier also would need to integrate and replicate
548 wholesale operations. Mr. McCarthy states that the systems that Verizon will replicate
549 include those that manage wholesale operations.⁴⁹

550 **Q: Why are wholesale operations relevant to retail consumers?**

551 A: Scaling up Frontier's Illinois wholesale operations will require technical, managerial, and
552 operational resources. These functions will compete for resources and attention with the
553 retail side of the business.

554 ***Frontier's track record***

555 **Q: Doesn't Verizon assert that Frontier has a track record of integrating other**
556 **companies that it has acquired?**

557 A: Verizon does make such an assertion. Mr. Erhart states: "Frontier has a successful track
558 record of acquiring, operating and investing in telecommunications properties nationally,
559 including over 750,000 access lines it purchased from Verizon/GTE between 1993 and
560 2000."⁵⁰

561 **Q: When did Frontier acquire Commonwealth Telephone Company?**

562 A: Frontier (then known as Citizens Communications) acquired Commonwealth Telephone
563 Company ("Commonwealth") in March, 2007.

564 **Q: When did Frontier acquire Global Valley Networks?**

⁴⁹ / McCarthy Direct (Frontier), at 26.

⁵⁰ / Erhart Direct (Verizon), at 19.

565 A: Frontier acquired Global Valley Networks in November, 2007.

566 **Q: When did Frontier acquire and integrate Rochester Telephone?**

567 A: Frontier acquired Rochester Telephone in 2001.

568 **Q: What factors should the Commission consider in assessing Frontier's previous**
569 **acquisitions?**

570 A: Several factors should be considered:

- 571 • Frontier's earlier acquisitions were of a far smaller scale, typically occurring in a
572 single state.
- 573 • The integration of the acquired companies' operations created service quality
574 problems and customer disruptions, as I discuss in my testimony below.

575 **Q: What is your understanding of the support that Verizon will provide to Frontier,**
576 **post-transaction?**

577 A: Mr. Erhart states that "Verizon will continue to provide system support for at least a year
578 after close, and Frontier may elect to continue to take some or all of the support from
579 Verizon after the first year."⁵¹

580 **Q: Have the Applicants provided sufficient evidence to demonstrate that they can**
581 **implement a smooth transition from Verizon's customer support operations to**
582 **Frontier's?**

583 A: No. The Applicants have merely stated that the transition will not occur immediately.

584 **Q: Have Applicants demonstrated that Frontier's system is scalable on the order of**
585 **magnitude contemplated by the transaction?**

⁵¹ / Erhart Direct (Verizon), at 18.

586 A: No. Through this transaction, Frontier's total Illinois access lines would be increasing
587 from 97,000 lines to over 670,000 lines. The Applicants argue that scalability is not an
588 issue because Verizon's systems will be replicated for Frontier. But even if that
589 replication is flawless (which is by no means certain), that process is largely irrelevant to
590 the eventual transition from Verizon's to Frontier's systems. It is *that* eventual transition
591 that causes serious concern. Not only do the Applicants not have a specific time-frame for
592 the transition, they have no plan for it at all.

593 **Q: Is there any evidence regarding the time period by which Frontier would need to**
594 **integrate the newly acquired into its platform?**

595 A: Yes, as I noted earlier, Frontier refers to a three-year period during which the transition is
596 likely to occur.⁵² This coincides with the time when Verizon has the right to stop
597 supporting the replicated systems.

598 **Q: What percentage of projected synergies are associated with the integration of**
599 **Verizon's systems into existing Frontier systems?**

600 A: This is unclear. The total annual synergies are expected to be \$500 million by 2013, but it
601 is not clear whether this estimate includes the \$94 million fee payable to Verizon each year
602 for the use of Verizon's systems.⁵³

603 **Q: Do Illinois customers face any possible harm associated with the cutover that must**
604 **occur in West Virginia?**

605 A: Yes. Although the cutover of approximately 600,000 lines in West Virginia would occur

⁵² / Prospectus, p. 175.

⁵³ / Prospectus, p. 155; McCarthy deposition, at 62-63.

beyond Illinois's boundaries, the process nonetheless could have repercussions for Illinois if it does not go well. Ensuring a proper transition in West Virginia (which will be Frontier's largest state) could become the focus of company management and investments, and potentially jeopardize the viability of the entire transaction. If Frontier faces unexpected expenses associated with the integration of West Virginia assets, customers in Illinois and other states could be adversely affected. These results might include fewer technicians being available in Illinois if extra technicians are required in West Virginia, fewer repairs made to aging infrastructure, and slower broadband deployment.

Analysis of service quality in two areas previously acquired by Frontier

Global Valley Networks

Q: Have you examined the service quality in the territories of any operating companies that Frontier acquired in the past?

A: Yes. Citizens Communications Corp. d\b\ a Frontier Communications completed its acquisition of Global Valley Networks in November, 2007.⁵⁴ Since its acquisition by Frontier, Global Valley Networks has been required to report service quality data through the ARMIS system.

Q: What do the ARMIS data show?

A: Although there is no record previous to the acquisition for comparison, even a cursory examination of Global Valley's performance since its acquisition by Frontier indicates

⁵⁴ / Citizens Communication press release, "Citizens Communications Completes Acquisition of Global Valley Networks," November 1, 2007. available at http://phx.corporate-ir.net/phoenix.zhtml?c=66508&p=irol-newsArticle_print&ID=1070787&highlight=.

serious service quality problems. For example, in 2008, Global Valley reported an average installation interval of 6.3 days, initial out of service intervals of 30.7 hours, and repeat out of service intervals of 32.1 hours.⁵⁵

Frontier Rochester

Q: Frontier acquired Rochester Telephone in 2001. Did you review data regarding Frontier's service quality in Rochester?

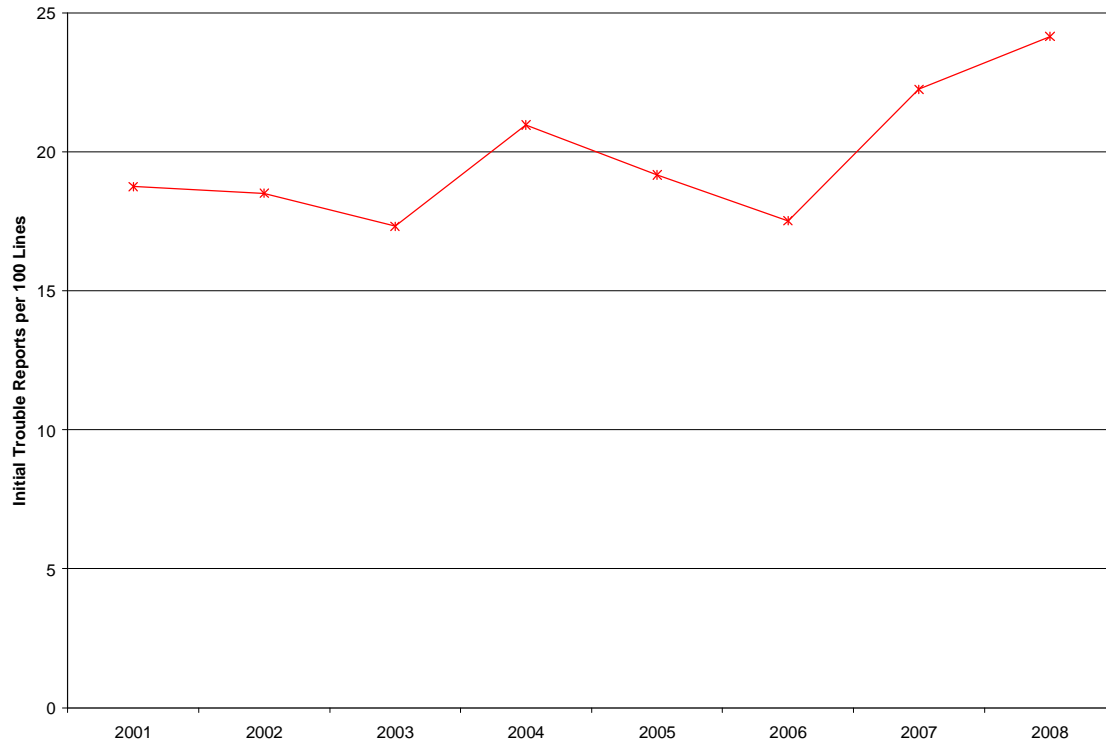
A: Yes. I examined ARMIS data that Frontier submits to the FCC. After reporting a gradually diminishing number of problems from 2002 to 2006, Frontier Rochester customers started reporting increasing numbers of service problems in 2007. Frontier Rochester's annual trouble reports per 100 lines rose from 24.9 in 2006 to 29.8 in 2007, and then to 33.8 in 2008. FCC's ARMIS data also show that Frontier Rochester customers have experienced an elevated and increasing number of initial out of service trouble reports. Frontier Rochester's performance in this respect has deteriorated significantly since the 2006 measure of 17.5 initial out of service reports per 100 lines, rising in 2007 and again in 2008, to 24.1.⁵⁶ In September 2008, Frontier transferred Rochester's customer service and billing system to Frontier's platform.⁵⁷ Also during 2008, Frontier reported an increase in out of service trouble reports in its Rochester region, as Figure 1 shows.

⁵⁵ / ARMIS Report 43-05 Service Quality Report, Table II Installation and Repair Intervals (Local Service), rows 134, 140, 144, 146, 145, and 149.

⁵⁶ / ARMIS Report 43-05 Service Quality Report, Table II Installation and Repair Intervals (Local Service), rows 140 and 144. Note that ARMIS data are reported as annual figures.

⁵⁷ / Frontier Telephone of Rochester CARS (Customer Accounts Record System) was converted to DPI (Data Products Incorporated) in September 2008. Response to IBEW 4.26.

Figure 1⁵⁸
Initial Out of Service Trouble Reports per 100 Lines in Rochester: 2000-2008
(All Customers)



Q: How quickly does Frontier Rochester complete out of service repairs?

A: As Figure 2 shows, after remaining steady during 2005, 2006, and 2007 at about 18.8 hours, the average time required to restore service increased by approximately 40% to 26.8 hours in 2008.

⁵⁸ / ARMIS Report 43-05 Service Quality Report, Table II Installation and Repair Intervals (Local Service), rows 140 and 144.

Figure 2⁵⁹
Initial Out of Service Interval in Rochester: 2000-2008
(All Customers)



Q: What other service quality data have you examined for Frontier Rochester?

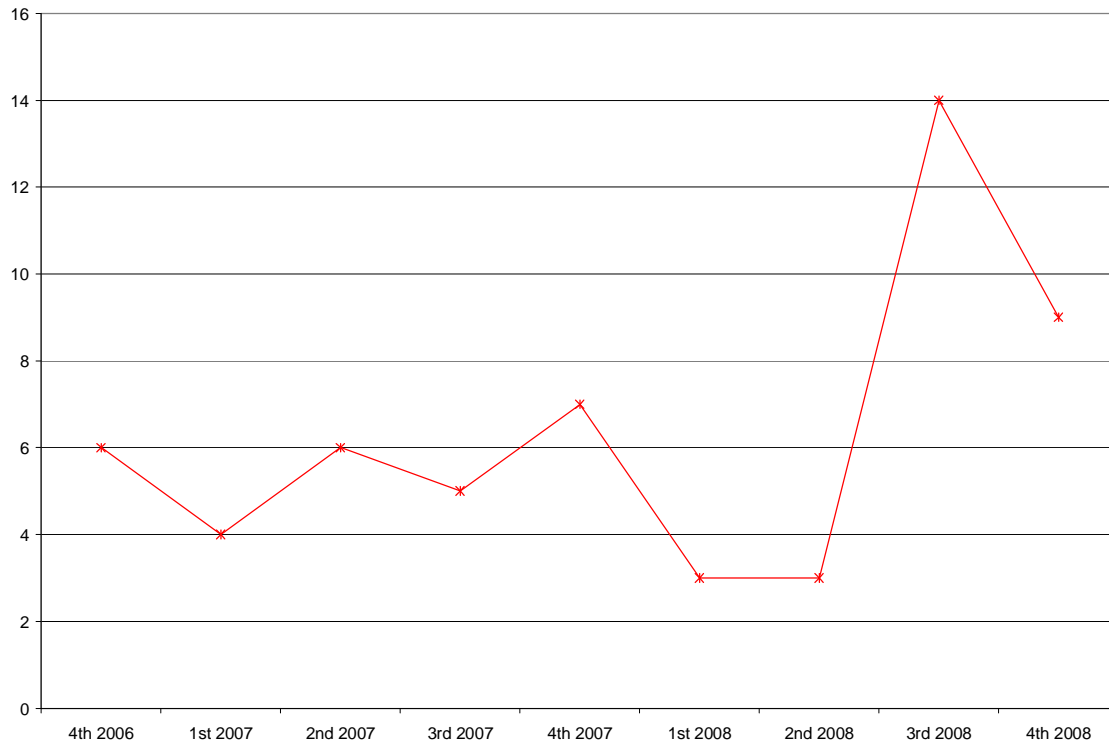
A: Frontier is required to report several service quality measures to the New York Department of Public Service. Although the data are aggregated over all of Frontier's New York ILECs, Frontier Rochester accounts for nearly 80% of Frontier's ILEC lines in New York.⁶⁰ Figure 3 shows that major service outages increased dramatically in the 3rd quarter of 2008, which corresponds to the time of the customer service and billing system

⁵⁹ / ARMIS Report 43-05 Service Quality Report, Table II Installation and Repair Intervals (Local Service), row 145.

⁶⁰ / Frontier Rochester had 315,891 access lines as of the 4th quarter of 2008. The total access lines of all the other Frontier ILECs in New York was 87,504. NY DPS Case 08-C-0405 - In the Matter of Quality of Service provided by Local Exchange Companies in New York State, Frontier Communications, Fourth Quarter 2008 Service Quality Report, January 22, 2009, at 2.

transfer.

Figure 3⁶¹
Frontier New York Major Service Outages: 2000-2008
(by quarter)

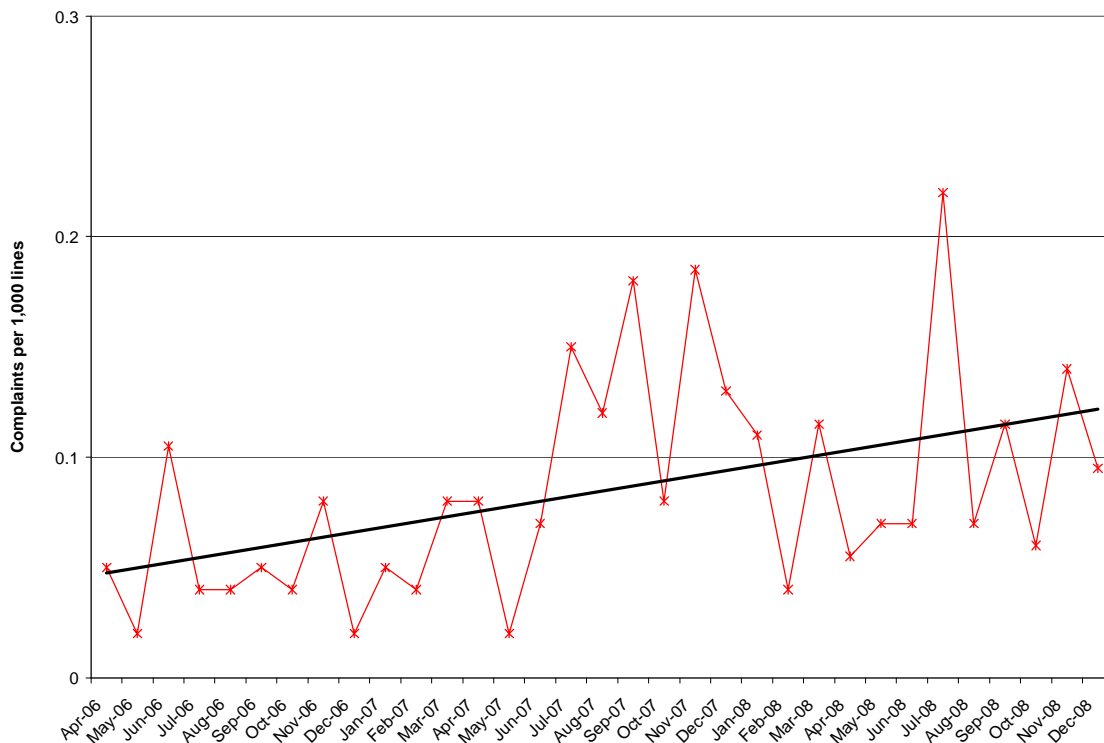


Q: Please describe your analysis of complaints for Frontier ILECs in New York.

A: The complaint rate per 1,000 lines increased between May 2006 and December 2008, as is shown in the trend line in Figure 4.

⁶¹ / NY DPS Case 08-C-0405 - In the Matter of Quality of Service provided by Local Exchange Companies in New York State, Frontier Communications, Third Quarter 2008 Service Quality Report, November 6, 2008, at 6; Fourth Quarter 2008 Service Quality Report, January 22, 2009, at 7.

Figure 4⁶²
Complaint Rate per 1,000 Lines for Frontier New York: May 2006 – December 2008



Q: Is the territory of Frontier Rochester similar to other Frontier territories?

A: No. ARMIS data show that about 80% of the access lines in Frontier Rochester’s territory are classified as “MSA”⁶³ rather than non-MSA.⁶⁴ This indicates an urban and suburban territory. In contrast, only 16% of Frontier’s access lines over all of its territories are located in MSAs.⁶⁵

⁶² / NY DPS Case 08-C-0405 - In the Matter of Quality of Service provided by Local Exchange Companies in New York State, Frontier Communications, First Quarter 2008 Service Quality Report, April 23, 2008, at 7; Fourth Quarter 2008 Service Quality Report, January 22, 2009, at 8.

⁶³ / MSAs, or Metropolitan Statistical Areas, are designated by the Office of Management and Budget in a list following each decennial census. An MSA is a Core - Based Statistical Area associated with at least one urbanized area that has a population of at least 50,000. The Metropolitan Statistical Area comprises the central county or counties containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county as measured through commuting. See 65 Fed. Reg. 82228 (2000).
<http://www.fcc.gov/wcb/armis/instructions/2006/definitions05.htm#T2C>.

⁶⁴ / FCC ARMIS Report 43-05, Table II.

⁶⁵ / *Id.*

Q: Why is the MSA vs. non-MSA classification of Rochester important?

A: A high density of customers should make it easier for a company to install and repair service than in sparsely populated areas because, among other things, the travel time per customer-visit and the length of the local loops in an urban or suburban area would be less than in a rural area. The fact that Frontier allowed service quality to decline in the Rochester area does not bode well for the proposed transaction.

Q: What do you conclude from your examination of the service quality records of Frontier's recent acquisitions?

A: Whether because of network issues, insufficient resources, billing disputes, integration of customer support systems, or other reasons, service quality in territories acquired by Frontier have deteriorated. For some metrics, there have been spikes that coincide with the transfer from the acquired company's platform to Frontier's platform. Furthermore, the two acquisitions that I examined were relatively small, 13,000 access lines in the case of Global Valley Network and approximately 500,000 access lines (at the time) in the case of Rochester. In contrast, Verizon's SpinCo lines would add approximately 4.8 million access lines.⁶⁶ Although the Joint Applicants attempt to downplay the problems associated with platform transitions by stating that the transition in Illinois will not occur at the closing of the transaction, the Commission should recognize that the platform transition will occur sometime in the future, and likely within three years after closing.

⁶⁶ / Erhart Direct (Verizon), at 7.

Summary of analysis and recommendations regarding systems integration

Q: Please summarize your concerns about the Joint Applicants' proposal for systems integration.

A: Frontier clearly understands that regulators will be wary of this transaction because of the potential harm that might result from a change in back office systems. Frontier appears to be attempting to stave off such criticism by moving the systems integration out of the transaction itself, to an undetermined time in the future (but likely within three years). Frontier does not even attempt to explain when and how it will integrate the systems that manage the assets relevant to this transaction. The Commission should recognize that the Joint Applicants likely underestimate the difficulties ahead.

The Joint Applicants have failed to substantiate their rosy view of systems integration. In fact, the Rochester conversion apparently led to a spike in customer complaints and extended installation and repair times (which could indicate conversion problems with dispatch, communications, training, and/or software). Furthermore, the Joint Applicants have only recently submitted the Realignment Plan. The eventual systems integration poses risks for consumers and to the financial viability of Frontier.

Q: Based on your analysis, what do you recommend regarding system integration issues?

A: I recommend that the Commission investigate thoroughly whether the Joint Applicants have adequately prepared for a smooth transition for all retail and wholesale customers, not only at the closing of the transaction, but also when Frontier eventually chooses to

720 fully integrate the relevant systems to Frontier's own systems.

721
722 If, despite my recommendations and those of Mr. Barber, the Commission is
723 contemplating approving the transaction, it is essential that conditions be put in place to
724 mitigate the risks of systems integration (or cutover). These conditions should include:

- 725 • As Mr. Barber recommends, restructuring the transaction so Verizon cannot leave
726 until Frontier achieves a full conversion to its own operating systems (among other
727 milestones).
- 728 • A full test of the "replicated" systems before the transaction closing, and a report
729 to the Commission and parties detailing the results of the test.
- 730 • A third-party audit of Frontier's eventual plans to integrate systems, and on-going
731 Commission oversight, and independent testing, of that process.

732 **Q: What do you mean by independent testing of Verizon's replicated systems and of**
733 **Frontier's eventual conversion to its own systems?**

734 A: I mean that an outside party, such as an auditing firm, should perform tests of functionality
735 and reliability of the new systems, and affirm to the Commission that the systems in
736 question will perform the way they are intended to perform on the date of transfer. That
737 is, the systems will be able to process billing tasks, repair orders, personnel deployment,
738 wholesale orders, etc.

739 **Q: Is there precedent for third-party testing of similar systems?**

740 A: Yes. As part of the Section 271 approval process that Bell operating companies ("BOC")
741 required to be authorized to offer in-region, interLATA service, BOCs were required to

742 provide third-party confirmation that their operating support systems (“OSS”) met the
743 requirements set forth in Section 271 of the Communications Act.
744

745

746

V. BROADBAND

747

Joint Applicants' Discussion of Broadband

748

Q: Please describe your understanding of Frontier's current broadband deployment.

749

A: Mr. McCarthy states that Frontier is currently able to provide over 90% of the households

750

in its national footprint with High Speed Internet broadband capacity and that in its

751

current Illinois service area, it has made High-Speed Internet available to 80% of

752

households.⁶⁷

753

Q: Please describe your understanding of Frontier's broadband plans in Illinois, if the transaction were to occur.

754

755

A: Mr. McCarthy simply states

756

Our goal over time is to increase broadband availability in the areas we are
acquiring from Verizon.⁶⁸

757

758

759

Q: Why are Frontier's broadband plans for Illinois relevant to the Commission's investigation of the proposed transaction?

760

761

A: In its discussion of the merits of the proposed transaction, Frontier specifically refers to its

762

broadband plans. In light of the extreme importance of broadband availability at

763

reasonable prices and speeds to the economy and welfare of Illinois, in considering the

764

public interest for consumers, it is critically important to assess Frontier's broadband

765

promises and capabilities, particularly within the context of the financial constraints that

⁶⁷ / McCarthy Direct (Frontier), at 12-13.

⁶⁸ / *Id.*, at 13.

766 Mr. Barber discusses in his testimony.

767 **Q: Please comment on the quote above from Mr. McCarthy.**

768 A: As the quote above shows, Frontier's actual plans for broadband deployment are vague at
769 best. As was the case when regulators investigated the merits of FairPoint's proposed
770 purchase of Verizon's Northern New England lines, the lure of broadband is strong,
771 particularly in states with large areas that are unserved and underserved. However, the
772 state's interest in broadband deployment should not cloud regulators' judgment about the
773 proposed transaction.

774 **Q: What concerns should be foremost in regulators' minds as they assess the purported**
775 **benefits flowing from Frontier's plans to deploy broadband more intensively than**
776 **Verizon now is doing?**

777 A: The financial risks that Mr. Barber discusses should be of great concern to the
778 Commission. The financial constraints that Frontier likely will confront as a result of this
779 transaction will jeopardize its ability to follow through on its pre-transaction broadband
780 plans. In addition, Frontier's broadband "Lite" (768 kbps download speed) would be a
781 step backward for Illinois rather than a state-of-the-art product. The Commission should
782 be wary of Frontier promising "broadband" but delivering an outdated product.

783 ***Broadband in Illinois***

784 **Q: Please explain the importance of broadband Internet access to Illinois consumers.**

785 A: Broadband access is extremely important to Illinois's economy, public institutions, and
786 citizens, and is rapidly becoming almost as indispensable as are voice telephone service,

787 electricity, water, and gas. Broadband access enables businesses to maintain relationships
788 with suppliers and customers, and provides consumers an efficient avenue for such daily
789 activities as keeping in touch with friends and family, making purchases, obtaining medical
790 care, paying taxes and fees, finding job opportunities, participating in government and
791 civic activities, and researching school projects. The Internet is quickly becoming the first
792 place to turn for recent or frequently updated information. Because of the increasing
793 importance of the Internet in everyday life, those who lack speedy access to the Internet
794 risk falling behind. Furthermore, a state that lacks an advanced “ramp” to the Internet
795 risks its economic and social infrastructure falling behind other regions of the country.

796
797 Furthermore, as occurs with the public switched telephone network (“PSTN”), broadband
798 deployment yields substantial positive “externalities” – the aggregate societal benefits of
799 broadband interconnectedness increase exponentially as the percentage of consumers
800 served by broadband increases.

801 **Q: Please describe generally the regulatory framework for broadband services.**

802 A: In 2005, the FCC adopted its *Wireline Broadband Order*, which determined that wireline
803 broadband Internet access services were “information” services, and which sought to
804 adopt a “consistent regulatory framework across platforms by regulating like services in a
805 similar functional manner . . .”⁶⁹ (*i.e.*, treating cable modem and DSL services in the same

⁶⁹/ *Appropriate Framework for Broadband Access to the Internet over Wireline Facilities, Universal Service Obligations of Broadband Providers*, CC Docket No. 02-33, et al., *Report and Order and Notice of Proposed Rulemaking*, 20 FCC Rcd 14853 (2005) (“Wireline Broadband Order”), at para. 1. *See, also*, para. 5.

manner). The FCC opted to adopt a “lighter regulatory touch” in order to “promote the availability of competitive broadband Internet access services to consumers, via multiple platforms, while ensuring adequate incentives are in place to encourage the deployment and innovation of broadband platforms consistent with [its] obligations and mandates under the Act.”⁷⁰ However, broadband deployment is not yet ubiquitous and incentives to encourage deployment to unserved areas are lacking.

Broadband “Lite”

Q: Is there information available in this proceeding about Frontier’s and other comparably sized carriers’ broadband offerings?

A: Yes. Confidential & proprietary Table 4 shows that, <<<BEGIN CONFIDENTIAL &

PROPRIETARY

	Up to 3 mbps	Up to 6 mbps	Up to 10 or 12 mbps	Up to 20 mbps
CenturyTel				
Embarq				
Frontier				
Windstream				

Notes: CenturyTel and Embarq data are shown separately, although the two companies have merged;

⁷⁰ / *Wireline Broadband Order*, at para. 3.

⁷¹ / HSR Attachment 4.c.39, cover page and page 31 (reproduced as Confidential & Proprietary Exhibit SMB-HSC-1).

822 **END CONFIDENTIAL & PROPRIETARY>>>**

823 **Q: Based on this analysis, what specifically do you recommend?**

824 A: I recommend that the Commission seek specific detailed data about Frontier's intentions
825 regarding the specific download and upload broadband speeds it intends to provide to
826 Illinois consumers.⁷² Furthermore, as is becoming increasingly apparent, advertised speeds
827 rarely match the speeds that consumers actually experience.⁷³

828 **Q: Has Mr. McCarthy discussed the anticipated broadband speeds of Frontier's**
829 **offerings in other states?**

830 A: Yes. In a deposition in Ohio, he stated that "the baseline that [Frontier] would like to roll
831 out is a 3 megabit service." He also stated that Frontier would be "upgrading facilities in
832 existing areas up to max that [it] can get out of the technology" which "could be 9 to 12
833 megs."⁷⁴ I urge the Commission to recognize that what Frontier may "like" to do during
834 this pre-acquisition time period could differ significantly from what it is able to do after the
835 transaction occurs.

836 **Q: Please describe your understanding of Frontier's high-speed Internet offerings.**

837 A: Frontier primarily offers two levels of high speed Internet service: "HSI Lite," with
838 download speeds up to 768 kbps and an a la carte price of \$34.99, and "HSI Max 3M,"

⁷² / See, e.g., discussion of broadband speeds in *Speed Matters: A Report on Internet Speeds in All 50 States*, CWA, August 2009, at 1, stating, "too many Americans are locked into slow Internet, foreclosing access to many online applications and services."

⁷³ / FCC Press Release, "Broadband Task Force Delivers Status Report on Feb. 17 National Broadband Plan," September 29, 2009; see also Presentation, September 29, 2009 FCC meeting, at 26.

⁷⁴ / McCarthy Deposition, at 25.

which enables up to 3 mbps download speed for an a la carte price of \$54.99.⁷⁵ See Exhibit SMB-2 for a reproduction of Frontier's webpage advertising these products. However, as Exhibit SMB-2 shows, Frontier also offers a product with speeds up to 10 mbps, but it is not clear where Frontier offers these services. Furthermore, Frontier has not committed to offering broadband at any speed higher than 3 mbps in Illinois.

Q: In addition to the information that you include in Table 4 above, are you aware of other evidence supporting industry expectations of speeds higher than 1 mbps or 3 mbps?

A: Yes. For example, in a letter sent in January to President Obama's transition team, Qwest states that it "believes that 7 mbps service will provide access to Internet content at the level of service customers expect, specifically including the ability to quickly download movies and music, and to provide rapid access to the extensive video applications available over the web".⁷⁶

Q: But isn't it better to have slow broadband than no broadband?

A: Of course. But it is important for regulators, as they assess the value of Frontier's broadband promises, to recognize their limitations. It is also important to assess which company, Verizon or Frontier, is better positioned to bring Illinois into the 21st century. Broadband at affordable rates and reasonable speeds is critically important to the economy and well-being of consumers.

⁷⁵ / <http://www.frontier.com/Print/Products/ProductOverview.aspx?type=1&p=511>, visited 10/13/2009.

⁷⁶ / "Qwest seeks stimulus dollars for broadband," New Mexico Business Weekly, January 8, 2009, <http://www.bizjournals.com/albuquerque/stories/2009/01/05/daily42.html>

Q: But what if Verizon simply drags its broadband feet? Isn't it better to have Frontier acquire Verizon's operations to accelerate broadband deployment?

A: No. Frontier has not provided sufficient evidence to show that it will deploy broadband more aggressively and successfully than would Verizon. Furthermore, as Mr. Barber shows, the financial precariousness of the proposed transaction jeopardizes Frontier's ability to follow through on its broadband predictions.

Frontier's broadband lines and investment

Q: What is Frontier's current broadband plan for the Spincos territory in Illinois?

A: As I discussed above, Frontier's plans are vague at best. I am unaware of any broadband plan by Frontier that specifies dates, deployment objectives, and predicted broadband capacities and speeds.

Q: Has Frontier specified the funding level necessary to achieve its plan for more intensive broadband deployment in Illinois?

A: No. However, based on my review of documents submitted in this proceeding, I have prepared estimates of the specific funding level needed for Frontier to deploy broadband more broadly in the Illinois territory that Verizon now serves, which I discuss in Section VII below. In any event, I am unaware of any specific commitments to particular broadband funding levels by Frontier in Illinois. Therefore, Frontier's broadband promises should be considered as vague, impossible to measure, let alone enforce, particularly because of the financial constraints under which it would operate.

Verizon North's and Verizon South's broadband lines and investment

879 **Q: What are the high-speed Internet options currently available to consumers**

880 **nationally as well as those residing and working in SpinCo's territory in Illinois?**

881 A: Within any particular region of the nation, consumers typically have high speed Internet
882 access from either the incumbent local exchange carrier or the incumbent cable television
883 provider, or both. In some instances, where ILECs have not yet deployed DSL and where
884 cable companies either do not yet provide cable television service or have not upgraded
885 their infrastructure to offer cable modem service, consumers may not have any access to
886 high speed Internet access – these areas are consider “unserved.” (Consumers may also
887 have access to mobile wireless, but regulators’ and policy makers’ more frequent concern
888 is with promoting broadband deployment to fixed locations – to homes and to
889 businesses.⁷⁷)

890

891 One of the ongoing efforts resulting from the American Recovery and Reinvestment Act
892 (“ARRA”)⁷⁸ and the Broadband Data Improvement Act⁷⁹ is the National
893 Telecommunications and Information Administration’s (“NTIA”) State Broadband Data
894 and Development Grant Program. As stated by the NTIA: “The program, funded by the
895 American Recovery and Reinvestment Act, will increase broadband access and adoption

⁷⁷/ Mobile broadband is valuable, of course, but can reasonably be considered an “extra” compared to fixed deployment. The FCC is currently examining whether mobile wireless broadband can be considered a substitute or complement to wireline broadband access and whether mobile wireless broadband would be sufficient for unserved and underserved areas in its development of a National Broadband Plan. See, for example, Transcript of Federal Communications Commission National Broadband Plan Workshop, Wireless Broadband Deployment (General), Washington, DC, August 12, 2009, available at: http://www.broadband.gov/ws_deployment_wireless.html and Technology/Wireless, August 13, 2009, available at: http://www.broadband.gov/ws_tech_wireless.html.

⁷⁸/ Pub. L. No. 111-5, § 6001(c).

⁷⁹ / Pub. L. No. 110-385, 122 Stat. 4096 §103(c) (2008).

896 through better data collection and broadband planning. The data will be displayed in
897 NTIA's national broadband map, a tool that will inform policymakers' efforts and provide
898 consumers with improved information on the broadband Internet services available to
899 them.”⁸⁰ As part of the ARRA, Congress left it to the NTIA to define underserved areas
900 and broadband service for the purposes of dispersing broadband stimulus funds. In July
901 2009 in its first Notice of Funding Availability, the NTIA outlined the following:

- 902 • “Broadband Service” – the provision of two-way data transmission with advertised
903 speeds of at least 768 kbps downstream and 200 kbps upstream to end users.
- 904 • “Unserved Areas” – a proposed service area (consisting of one or more contiguous
905 census blocks) where at least 90% of households lack access to facilities-based,
906 terrestrial broadband service (either fixed or mobile).
- 907 • “Underserved Areas” – a proposed service area (consisting of one or more
908 contiguous census blocks) where at least one of the following is met: (1) no more
909 than 50% of the households in the proposed funded service area have access to
910 facilities-based, terrestrial broadband service; (2) no fixed or mobile broadband
911 service providers advertises broadband transmission speeds of at least 3 mbps

⁸⁰ / http://www.ntia.doc.gov/press/2009/BTOP_MappingAwards_091005.html. The NTIA's description states further: “The State Broadband Data and Development Grant Program is a matching grant program that implements the joint purposes of the American Recovery and Reinvestment Act and the Broadband Data Improvement Act (BDIA). The program will provide grants to assist states or their designees in gathering and verifying state-specific data on the availability, speed, location, and technology type of broadband services. The data they collect and compile will also be used to develop publicly available state-wide broadband maps and to inform the comprehensive, interactive, and searchable national broadband map that NTIA is required by the Recovery Act to create and make publicly available by February 17, 2011.”

downstream in the area; or (3) the rate of broadband subscribership for the

proposed funded service area is 40% of households or less.⁸¹

Q: Have you reviewed public data regarding broadband deployment and demand in Illinois?

A: Yes. As of June 30, 2008, 85% of households⁸² in Illinois (including the entire state) had the option to subscribe to DSL and 97% of households had the option to subscribe to cable modem service.⁸³ Statewide, in Illinois, there were 1,624,647 cable modem lines in service and 1,418,545 DSL lines in service as of June 30, 2008.⁸⁴ Nationally, 46.7% and 34.1% of residential high-speed lines are cable modem and ADSL, respectively followed by 2.7% fiber and 0.1% SDSL and Traditional Wireline. In addition, approximately 16.4% of residential high-speed lines are served by “other” technologies which include satellite, fixed wireless, mobile wireless, power line and other.⁸⁵

Q: How do these statistics relate to this proceeding?

A: One of the issues this proceeding raises (due to Frontier’s prediction that it will deploy broadband more aggressively in the SpinCo footprint than would Verizon) is a comparison

⁸¹/ *Federal Register*, Vol. 74, No. 130, Thursday, July 9, 2009, at 33108-33109. Also, available at: <http://www.broadbandusa.gov/files/BB%20NOFA%20FINAL%2007092009.pdf>.

⁸²/ The measurement is defined as the percentage of residential end-user premises with access to high-speed services. FCC, Wireline Competition Bureau, Industry Analysis and Technology Division, *High-Speed Service for Internet Access: Status as of June 30, 2008*,” rel. July 2009 (“FCC High-Speed Services Report”), at Table 14.

⁸³/ FCC High-Speed Services Report, at Table 14.

⁸⁴/ FCC High-Speed Services Report, at Table 11 and 12. These lines are both business and residential. The data available from the FCC that is technology-specific aggregates residential and business lines at the state level. The FCC does provide the number of total high-speed lines (all technologies) for Illinois: 3,471,815 residential high-speed lines and 2,066,108 business high-speed lines as of June 30, 2008. *Id.*, at Table 13.

of the willingness, financial ability, technical ability, and managerial ability of Verizon North and Frontier to make the necessary incremental investment to the existing PSTN platform to offer DSL to areas that are not now served, or to deploy fiber to the home.

Furthermore, when the Commission assesses the plausibility of Frontier's broadband revenue projections, I urge the Commission to consider the data that show that, nationally, of those households that subscribe to broadband, approximately 47% subscribe to cable modem and only 34% to DSL (approximately 3% to fiber, and the rest to "other"). In other words, Frontier's DSL offering would be competing with cable modem offerings that the cable industry markets to the same households as well as with the emerging wireless alternatives. Therefore, even if a particular household seeks a high speed Internet connection, the consumer may prefer cable modem to DSL. Moreover, I am unaware of any studies that Frontier has conducted of consumers' high-speed Internet preferences in Illinois (or elsewhere) nor of the geographic areas of Illinois to determine in which local markets customers have a cable modem option.

Q: How does DSL penetration in Illinois compare with penetration in the other SpinCo states?

A: Penetration in Verizon's Illinois territory is <<<BEGIN CONFIDENTIAL & PROPRIETARY

⁸⁵/ FCC High-Speed Service Report, at Chart 6 and Table 3.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

955 [REDACTED] **END CONFIDENTIAL & PROPRIETARY>>>**

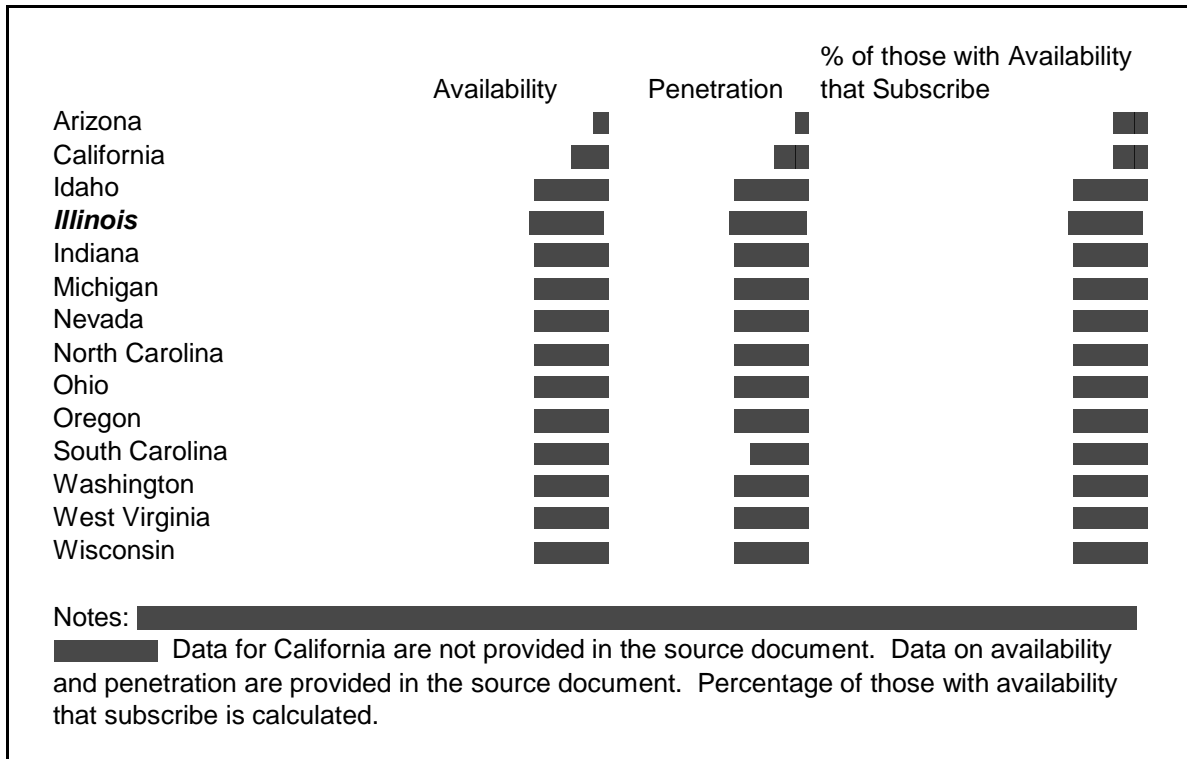
956 Confidential & proprietary Table 5 below compares Illinois's high speed Internet access
957 statistics for Verizon with those of other states in the SpinCo territory.

958 <<<**BEGIN CONFIDENTIAL & PROPRIETARY**

959

⁸⁶ / April 16 Board of Directors Materials, at 20. See Confidential & Proprietary Exhibit SMB-HSC-3.

Confidential & proprietary Table 5⁸⁷
High Speed Internet in SpinCo Footprint



END CONFIDENTIAL & PROPRIETARY>>>

Q: What is Frontier's broadband penetration in its nationwide footprint?

A: <<<BEGIN CONFIDENTIAL & PROPRIETARY [REDACTED]

END CONFIDENTIAL &

PROPRIETARY>>>

Q: What are the implications of these broadband statistics to this proceeding?

⁸⁷ / April 16 Board of Directors Materials, at 20. Confidential & Proprietary Exhibit SMB-HSC-3 reproduces this page. Data on availability and on penetration are provided in the source document. Percentage of those with availability that subscribe is calculated based on these data.

⁸⁸ / HSR 4.c.1.

971 A: In assessing a company's success in achieving broadband adoption, one should examine
972 not simply total penetration (that is, the ratio of DSL lines to the total number of lines),
973 but penetration among those customers for whom broadband is an option (that is, the
974 "take rate.") By way of example, if 60% of Verizon lines have a DSL option and of those
975 lines, half subscribe to DSL, the penetration is 30% of all lines. If 90% of Frontier's lines
976 can subscribe to DSL, and half of those lines do subscribe, then the overall penetration is
977 45%. However, in this illustrative example, based on a comparison of the companies'
978 relative abilities to achieve adoption, one can conclude that the two companies are equally
979 successful, with each company achieving 50% of those for whom broadband is an option.
980 Furthermore, many factors affect "take rates" including such variables as the presence of a
981 cable modem alternative, consumers' income, carriers' marketing, consumers' willingness
982 to adopt new technology, the price and speed of the service, etc. Each of the three
983 metrics that Table 5 above includes is important, but each should be considered separately
984 in order to assess the implications.

985 Q: What else do you conclude based on your review of data in Table 5?

986 A: <<<BEGIN CONFIDENTIAL & PROPRIETARY

■ ■ [REDACTED]

■ [REDACTED]

■ [REDACTED]

■ [REDACTED]

■ [REDACTED]

■ [REDACTED]

992 ■ [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

1000 [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

1004 [REDACTED]

1005 **END CONFIDENTIAL & PROPRIETARY>>>**

1006 **Q: How much high cost support does Verizon receive for its Illinois operations?**

1007 A: Verizon, through its operating subsidiaries Verizon North, Verizon North (Contel), and
1008 Verizon South (AllTel) received total interstate high-cost support payments of \$9,739,086
1009 in 2008.⁸⁹

1010 **Q: What is the significance of these high-cost support payments to Verizon?**

1011 A: The payments are evidence of the presence of high-cost areas in Verizon's Illinois
1012 territory. Also, despite the fact that Verizon receives high-cost support, it nonetheless has

⁸⁹ / FCC Universal Service Monitoring Report, CC Docket No. 98-202, 2008 prepared by the Federal and State Staff for the Federal-State Joint Board on Universal Service in CC Docket No. 96-45, Table 3-30, at page 3-137.

1013 left many consumers without access to DSL.

1014 **Q: How much has Verizon invested in the Spingo states in the past two years?**

1015 A: In 2007, Verizon invested \$703 million in capital expenditures in the Spingo states, an
1016 average of \$132 per access line. In 2008, Verizon invested \$730 million in capital
1017 expenditures in those states, an average of \$153 per line.⁹⁰

1018 **Q: How much has Frontier invested in its existing service areas during 2007 and 2008?**

1019 A: In 2007, Frontier invested \$316 million in capital expenditures in its existing service areas,
1020 an average of \$130 per access line. In 2008, its level of investment declined to \$288
1021 million, an average of only \$128 per access line.⁹¹

1022 **Q: How do these figures compare to Frontier's projections of how much it will invest in**
1023 **the Spingo states if the transaction is approved?**

1024 A: Frontier projects it will spend <<<**BEGIN CONFIDENTIAL & PROPRIETARY** [REDACTED]

1025 [REDACTED]

1026 [REDACTED]

1027 **END CONFIDENTIAL & PROPRIETARY>>>** This represents a significant
1028 reduction from the level of investment that Verizon has been making in the Spingo service
1029 areas.

1030 **Q: What do you conclude?**

1031 A: I conclude that despite Frontier's promises of greatly increased investment in the Spingo
1032 states, Frontier actually is proposing less capital investment than Verizon has actually

⁹⁰ / Prospectus, pp. 19 and 148 (capital expenditures and access lines, respectively).

⁹¹ / Prospectus, pp. 16 and 17 (capital expenditures and access lines, respectively).

⁹² / Frontier pro forma financial model.

1033 made in these states during each of the past two years. I find it difficult to believe,
1034 therefore, that Frontier will achieve the type of dramatic increases in broadband availability
1035 that it projects, given the fairly modest level of investment that it would make in Illinois
1036 and the other Spinco states.

1037 **Q: What else do you infer from this information?**

1038 A: Frontier has not made any specific commitments to particular levels of investment in the
1039 SpinCo footprint generally nor specifically in Illinois. The predictions are unenforceable
1040 and ultimately meaningless if Frontier confronts financial constraints. Indeed, the financial
1041 constraints that Mr. Barber describes and Frontier's pursuit of achieving synergies cast
1042 serious doubt over Frontier's ability to invest adequately in the Illinois telecommunications
1043 infrastructure.

1044 **Q: Have the Joint Applicants explained adequately why broadband deployment would**
1045 **be more financially feasible if carried out by Frontier than it would be if carried out**
1046 **by Verizon?**

1047 A: No. The Joint Applicants have not adequately demonstrated why deploying broadband to
1048 areas in Illinois that now are unserved or underserved would be more financially attractive
1049 to Frontier than it would be for Verizon North and Verizon South. Indeed, as I explained
1050 above, Verizon has been investing more per line in the Spinco areas than Frontier has
1051 spent in its own service areas. It also appears that Frontier will not even match the
1052 amount of money that Verizon has been investing in Spinco, let alone provide the type of
1053 increased investment that it promises.

1054 **Q: Have you reviewed any data regarding Frontier's success in deploying broadband**

1062

1063 [REDACTED] **END CONFIDENTIAL & PROPRIETARY>>> I**

1067 Detailed data are essential to support broadband mapping and achieving state's
1068 broadband goals.

1070 **Q: Do you have any other suggestions regarding broadband-related conditions?**

1075 **Q: Won't that effort involve seeking some of the same kinds of broadband data**
1076 **that you have examined in this proceeding?**

57
PUBLIC (REDACTED) VERSION

1077 A: Yes, except at a much greater level of detail. Furthermore, much of the pertinent
1078 information that has been filed in this proceeding has been designated as
1079 proprietary and therefore may not be shared beyond this proceeding. The
1080 Commission should seek maps from the Joint Applicants indicating on an address-
1081 by-address basis where broadband service is available. This information should
1082 then be made publicly available.

1083 **Q: What is the significance of the state's NTIA-funded broadband mapping**
1084 **effort to this proceeding?**

1085 A: If the Commission is contemplating approving the transaction (which I do not
1086 recommend), it is essential that Verizon agree to provide detailed data and to
1087 cooperate fully so that this transaction does not jeopardize the state's ability to
1088 fulfill its broadband goals. After the transaction, Frontier's state and corporate
1089 focus likely will be diverted to integrating its newly acquired company. Therefore,
1090 before Verizon sells its operations, it should be required to compile and provide all
1091 necessary data regarding the location of the households and businesses in
1092 Verizon's Illinois footprint and the location of Verizon's high speed Internet
1093 access services in Illinois to enable the state to achieve its broadband goals
1094 efficiently.

1095

1096 ***Summary of analysis and recommendations regarding broadband***
1097 ***deployment***

1098 **Q: Please summarize your analysis of the broadband-related aspects of the proposed**
1099 **transaction.**

1100 A: Frontier's broadband promises do not justify the transaction. Although its promises and
1101 stated intentions may at first blush "sound good," they are in fact vague and impossible to
1102 enforce. Further, Frontier's allegedly aggressive capital expenditure plans are actually far
1103 less than Verizon has been spending on capital investments in the Spinco areas.
1104 Moreover, I am concerned that financial considerations will cause Frontier to delay or
1105 pare back its investment plans.

1106
1107 The lack of a concrete deployment goal and a corresponding action plan make Frontier's
1108 broadband promises little more than wishes, and certainly not business strategy. It is
1109 unclear how any of this benefits the public when Frontier would spend far less than
1110 Verizon has been spending in Illinois and the other Spinco states. Furthermore, in the
1111 unlikely event that Frontier is able to follow through on its implied promise to deliver
1112 broadband to 90% of the households in its service territory within some reasonable time
1113 frame, Illinois customers may be disappointed with the result because the vast majority of
1114 Frontier's broadband offerings are relatively low speed. For all of these reasons, I urge
1115 the Commission to afford little weight to Frontier's speculations about its broadband plans
1116 in Illinois.

1117 **Q: Are there any broadband conditions that the Commission could impose that would**
1118 **make this transaction in the public interest?**

1119 **A:** No. However, if, contrary to my recommendation, the Commission intends to approve
1120 the transaction, I urge the Commission to consider the broadband conditions that I
1121 describe in detail in Section VII.

1122

1123

1124

VI. SERVICE QUALITY

1125

1126

Impact of the transaction on service quality

1127

Q: How do the Joint Applicants characterize the impact of the transaction on service quality?

1128

1129

A: In his direct testimony, in addressing why Frontier “think[s] it can improve on Verizon’s performance in the areas it is acquiring,” Mr. McCarthy states:

1130

1131

Frontier’s predominant business focus is delivering high quality wireline services over its own networks in rural and suburban communities and in smaller to moderately sized cities. Within Frontier, wireline network investment and customer service in these areas will not be competing for capital and management attention with a diverse array of other delivery platforms such as a national wireless platform, or with global enterprise services or more urbanized markets. Rather, Frontier’s business plan depends on investing in and providing efficient service to customers in rural areas and smaller to mid-sized communities, and it has implemented business practices, investment strategies, and customer service initiatives designed for customers in these service areas.⁹⁴

1132

1133

1134

1135

1136

1137

1138

1139

1140

1141

1142

1143

Q: How do you recommend that the Commission assess the impact of the proposed transaction on service quality in Illinois?

1144

1145

A: I recommend that the Commission consider multiple factors as it assesses the potential impact of the transaction on service quality in Illinois. Specifically, I recommend that the Commission examine:

1146

1147

1148

1. The impact of Frontier’s severe financial constraints on its ability to deliver quality service and invest in Illinois’s telecommunications network (without money it

1149

⁹⁴ / McCarthy Direct (Frontier), at 11.

1150 cannot replace aging and defective plant).

1151 2. The impact of systems integration on state-level and corporate focus.

1152 3. The state of Verizon's infrastructure and Frontier's familiarity with that

1153 infrastructure.

1154 4. Frontier's service quality in Illinois.

1155 5. Frontier's service quality in other territories that it has acquired.

1156 6. Verizon's service quality in Illinois, as evidenced by service quality data that it

1157 submits to state and federal regulators.

1158 7. The post-transaction economic incentives confronting Frontier.

1159 I elaborate below on the significance of each of these seven factors as they relate to the

1160 proposed transaction.

1161 ***Financial constraints***

1162 **Q: Mr. Barber has raised concerns about financial risks associated with the proposed**
1163 **transactions. How do his analyses and conclusions affect your view of the quality of**
1164 **service that Frontier would be able to deliver to consumers in Illinois?**

1165 **A:** The serious financial risks that Mr. Barber describes in detail jeopardize the quality of
1166 service that Frontier would offer consumers for several reasons. The post-transaction
1167 financial constraints on Frontier would limit its ability to follow through on its promise to
1168 expend more on capital investment than Verizon has. Instead, in its pursuit of synergies,
1169 Frontier would face strong economic incentives to cut costs, particularly where the
1170 anticipated cost of such investment is not offset by the anticipated increase in revenue (or

1171 decrease in expenses). As a result, for example, consumers may experience long delays
1172 for the restoration of out-of-service troubles.

1173 ***Impact of systems integration on service quality***

1174 **Q: Could the process of integrating systems jeopardize service quality?**

1175 A: Yes. FairPoint, which acquired Verizon's operations in only three states, has confronted
1176 significant difficulties. Although Frontier would not need to integrate systems in Illinois
1177 immediately, the process of taking over 4.8 million lines in 14 states combined with aging
1178 infrastructure could jeopardize service quality. Furthermore, as I discussed above, service
1179 quality in Rochester declined in the same time period that Frontier integrated Rochester's
1180 systems.

1181
1182 Among the various press reports about the FairPoint debacle was one that reported:
1183 "Maine's Public Utilities Commission rejected FairPoint's request to waive more than
1184 \$845,000 in penalties that it owes to local phone companies for poor network service from
1185 February through April. FairPoint faces similar scrutiny and issues in the other states.
1186 New Hampshire's Public Utilities Commission is considering a request by the state
1187 consumer advocate to open a new investigation into FairPoint's poor performance."⁹⁵

1188 **Q: What predictions did FairPoint make in anticipation of acquiring Verizon's**
1189 **northern New England operations?**

⁹⁵ / "FairPoint agrees to hire consultant as troubles persist," Matt Wickenheiser, *Portland Press Herald, Maine Sunday Telegram*, August 13, 2009. The article reports: "Its call center was taking 85,000 customer service calls a week in March and April, early in the transition. It has been down to 35,000 a week for the last two months, Nixon said." <http://pressherald.maintoday.com/story.php?id=276530&ac=PHbiz>

1190 **A:** FairPoint Chairman Eugene Johnson stated:

1191 *The FairPoint senior management team has a lot of experience in the*
1192 business. Importantly, we've been together a long time. This is a team
1193 that's worked together for many, many years versus what (inaudible)
1194 worked together since 1994. And that's a team that understands how to do
1195 things. *We've made, as you know, 36 acquisitions over the years and 34 of*
1196 *the first 35 of those, not counting this one, we exceeded our acquisition*
1197 *projections and we did it quite handsomely in all those cases.* So we're
1198 very, very proud of our track record. We're not perfect. As you know,
1199 we've stubbed our toe from time to time. But I'll tell you one thing, we're
1200 extremely good at getting up, massaging it, moving on, and not having any
1201 residual damage from that. And I think that's something that you can
1202 expect us to deliver on the promises we've made to you.

1203
1204 We've got a lot of experience with system integration, you can imagine. All
1205 these companies that we bought all had separate systems. We had to pull
1206 them all together. We did that very effectively. *We completed that*
1207 *integration of the 17 different billing platforms onto a single billing*
1208 *platform. We completed that on time and on budget.* We're pleased with
1209 that after the initial toe stubbing created by a vendor that basically walked
1210 away from the business right in the middle of the conversion. What we did
1211 to turn that around and convert it over to another vendor, doing it on time
1212 and actually under our budget, under the original budget I might add was, I
1213 think, very, very satisfying.⁹⁶

1214
1215 **Q:** **What do you recommend that the Commission infer from this FairPoint**
1216 **prediction?**

1217 **A:** Even with the best of intentions, and despite seemingly similar experiences, each
1218 transaction is unique. Frontier has not demonstrated that it is adequately prepared
1219 to take over a complex set of systems and to integrate them across a 14-state
1220 footprint without causing consumer disruptions and service quality deterioration.

1221

⁹⁶ / FairPoint Chairman Eugene Johnson, speaking on a quarterly investment analysts call, FairPoint SEC Form 8-K, April 18, 2007, p. 5 (emphasis added).

1222 **Frontier's due diligence regarding Verizon North's infrastructure in Illinois**

1223 **Q: Should the Commission be concerned about Frontier's due diligence regarding**
1224 **Verizon North's infrastructure in Illinois?**

1225 A: Yes. Among other things, Frontier did not conduct a field visit in Illinois as part of the
1226 due diligence process.⁹⁷ An audit was not done of Verizon's physical plant and its other
1227 facilities in Illinois,⁹⁸ and furthermore, Frontier "has not determined whether to conduct an
1228 audit" of Verizon's property, plant, equipment or continuing property records in Illinois
1229 prior to transaction closing.⁹⁹ Frontier seems to have decided to purchase Verizon's
1230 Illinois operations "sight unseen."

1231 **Q: Has Frontier reviewed the most recent network outage report that Verizon**
1232 **submitted to the FCC?**

1233 A: I am unaware of any evidence to suggest that Frontier examined this document, in which
1234 Verizon identifies <<<**BEGIN CONFIDENTIAL** [REDACTED]
1235 [REDACTED] [REDACTED]
1236 [REDACTED] **END CONFIDENTIAL**>>> Some of these outages
1237 likely provide evidence of locations in Verizon's outside plant that merit particular
1238 attention.

1239 **Q: Is there any other information suggesting that Frontier may not be sufficiently**
1240 **familiar with the operations it proposes to acquire?**

⁹⁷ / Response to IBEW 6.12.

⁹⁸ / Response to IBEW 4.47.

⁹⁹ / *Id.*

¹⁰⁰ / Response to IBEW 3.46.

¹⁰¹ / Response to IBEW 3.59.

1241 A: Yes. The incredibly short period of time between the first discussion of purchasing
1242 SpinCo and the announcement date implies that there was scant time for Frontier to
1243 acquaint itself with the infrastructure scattered throughout 14 states.

1244 ***Frontier's service quality in Illinois***

1245 **Q: Have you examined Frontier's service quality in Illinois?**

1246 A: Yes. I examined several service quality measures that companies report to the FCC
1247 through the ARMIS system, including those that reflect the timeliness of the installation
1248 and repair of basic local service, and the condition of outside plant (troubles reported).
1249 Specifically, for the years 2001 through 2008, I analyzed average installation time, initial
1250 trouble reports per 100 lines, and the initial out of service interval.

1251 **Q: How does Frontier characterize its service quality in Illinois?**

1252 A: Mr. McCarthy does not provide any particular description of Frontier's quality of service
1253 in Illinois, although he repeatedly refers to Frontier's commitment to a high quality of
1254 service.¹⁰²

1255 **Q: Please discuss your analysis of service quality, as measured by ARMIS data.**

1256 A: The data reported through the ARMIS system do not support Mr. McCarthy's
1257 characterization of Frontier's high-quality service. In particular, the eight-year period of
1258 analysis also reveals several instances in which Frontier's performance declined noticeably
1259 over time.

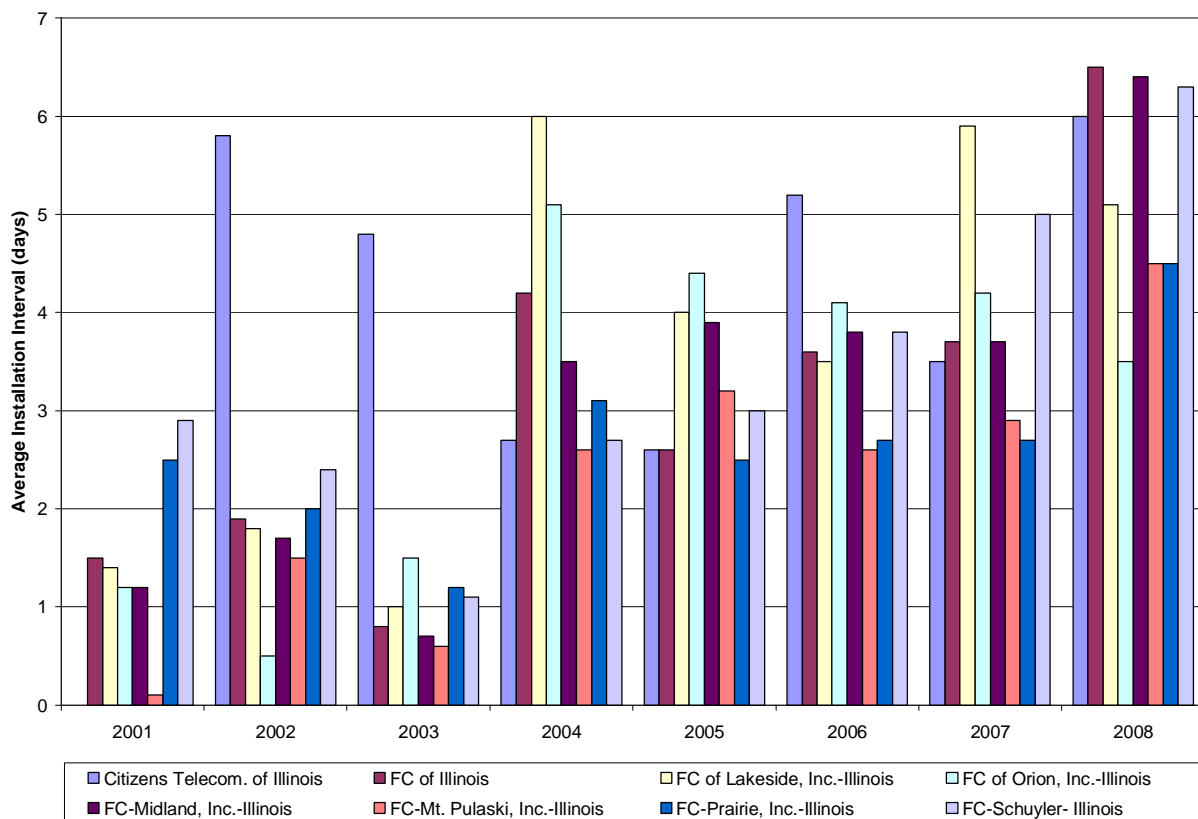
1260 **Q: How quickly does Frontier install dial tone lines in Illinois?**

1261 A: The ARMIS metric, "Average Installation Interval," is the average number of business

¹⁰² / See, for example, McCarthy Direct (Frontier), at 11.

days that pass between the time an installation order is taken and when the installation is complete.¹⁰³ Figure 5 shows that, since 2003, Frontier's performance, based on this metric, deteriorated significantly. In 2008 each Frontier operating subsidiary in Illinois required more that 3 days to install service. Several required more than 6 days. This contrasts sharply with the situation in 2003, when seven of the eight companies required 1.5 days or fewer to install service.

Figure 5¹⁰⁴
Average Installation Interval for Frontier Companies in Illinois: 2001-2008



Q: What are “trouble reports”?

¹⁰³ / <http://www.fcc.gov/wcb/armis/instructions/2008/definitions05.htm#T2R>.

¹⁰⁴ / ARMIS Report 43-05 Service Quality Report, Table II Installation and Repair Intervals (Local Service).

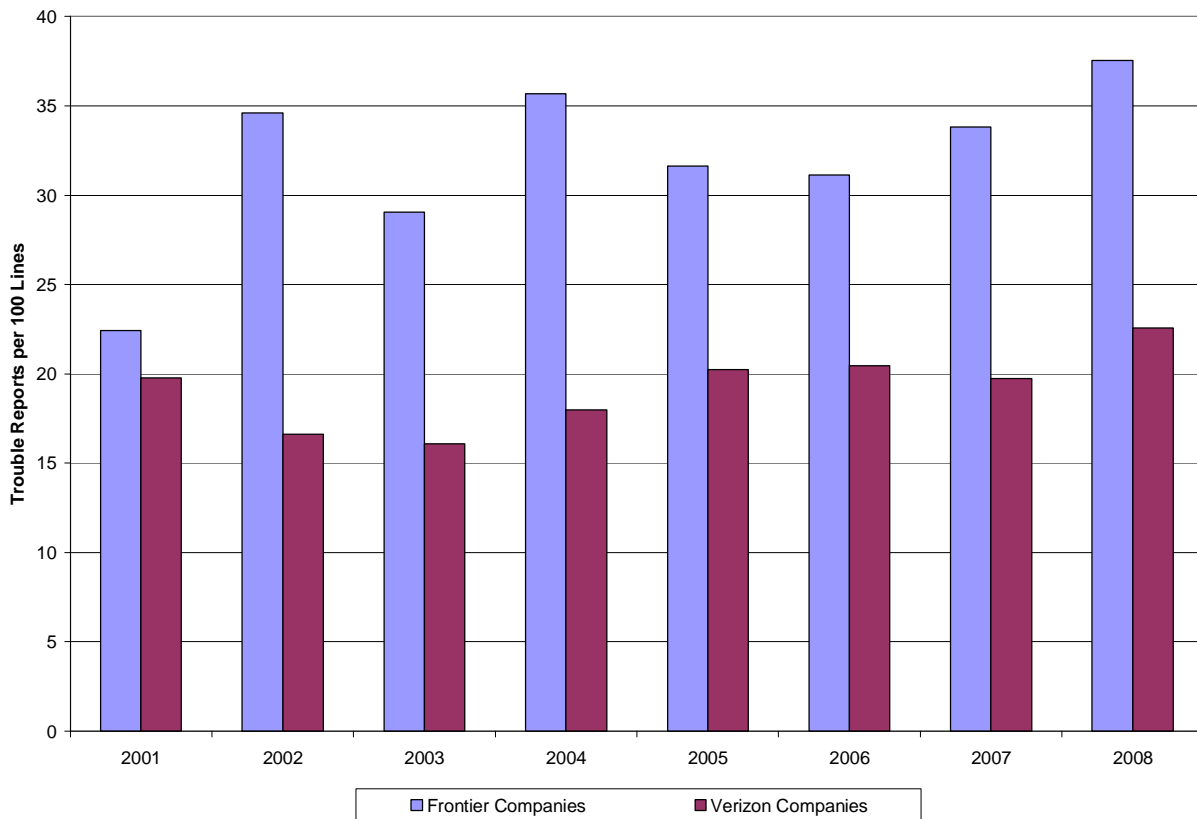
1272 A: Trouble reports, which carriers express as the quantity of troubles reported per hundred
1273 lines that they serve, include out of service reports, in which the customer is completely
1274 without telephone service, and all other trouble reports, which includes problems such as
1275 static, interrupted calls, etc.¹⁰⁵ The condition of the outside plant affects whether
1276 customers report troubles. Carriers report *annual* trouble report rates to the FCC (and
1277 typically report *monthly* trouble reports to state regulators).

1278 **Q: How do trouble reports by Frontier's customers compare with those of Verizon?**

1279 A: Figure 6 shows that the eight Frontier companies operating in Illinois have experienced an
1280 increase in the number of trouble reports per 100 lines in the past eight years. Verizon's
1281 record in Illinois also shows a gradual increase over the period, but remains at about two-
1282 thirds of Frontier's level.

¹⁰⁵ / <http://www.fcc.gov/wcb/armis/instructions/2008/definitions05.htm#T2R>

Figure 6¹⁰⁶
Initial Trouble Reports per 100 Lines for Frontier and Verizon in Illinois
2001-2008 (annual)



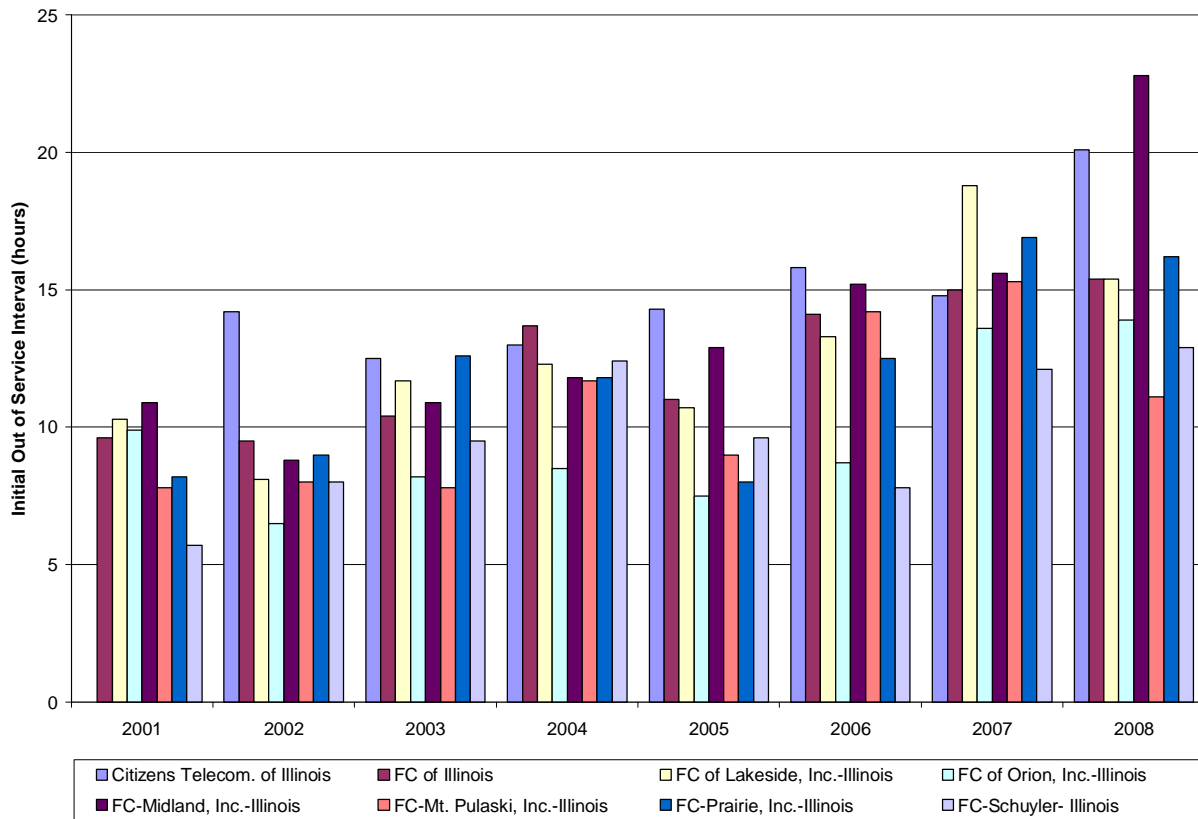
Q: How quickly does Frontier respond to customers' out of service problems in Illinois?

A: Figure 7 shows that Frontier's average repair times are increasing year after year. In 2008, FC of Midland, Inc. averaged 22.8 hours to repair service, compared to only 10.9 in 2001.

¹⁰⁶ / ARMIS Report 43-05 Service Quality Report, Table II Installation and Repair Intervals (Local Service). It is not apparent why, even accounting for the fact that the ARMIS data show annual totals, the trouble report rate is so high as reported to the FCC as opposed to the data reported to the Commission.

Figure 7¹⁰⁷

Initial Out of Service Interval for Frontier Companies in Illinois: 2001-2008



Q: Based on your analysis of data that Frontier reports to the FCC, what do you conclude about Frontier's service quality in Illinois?

A: Frontier's service quality in Illinois appears to be declining. This is troubling, given the fact that the pending transaction would dramatically increase Frontier's Illinois customer base.

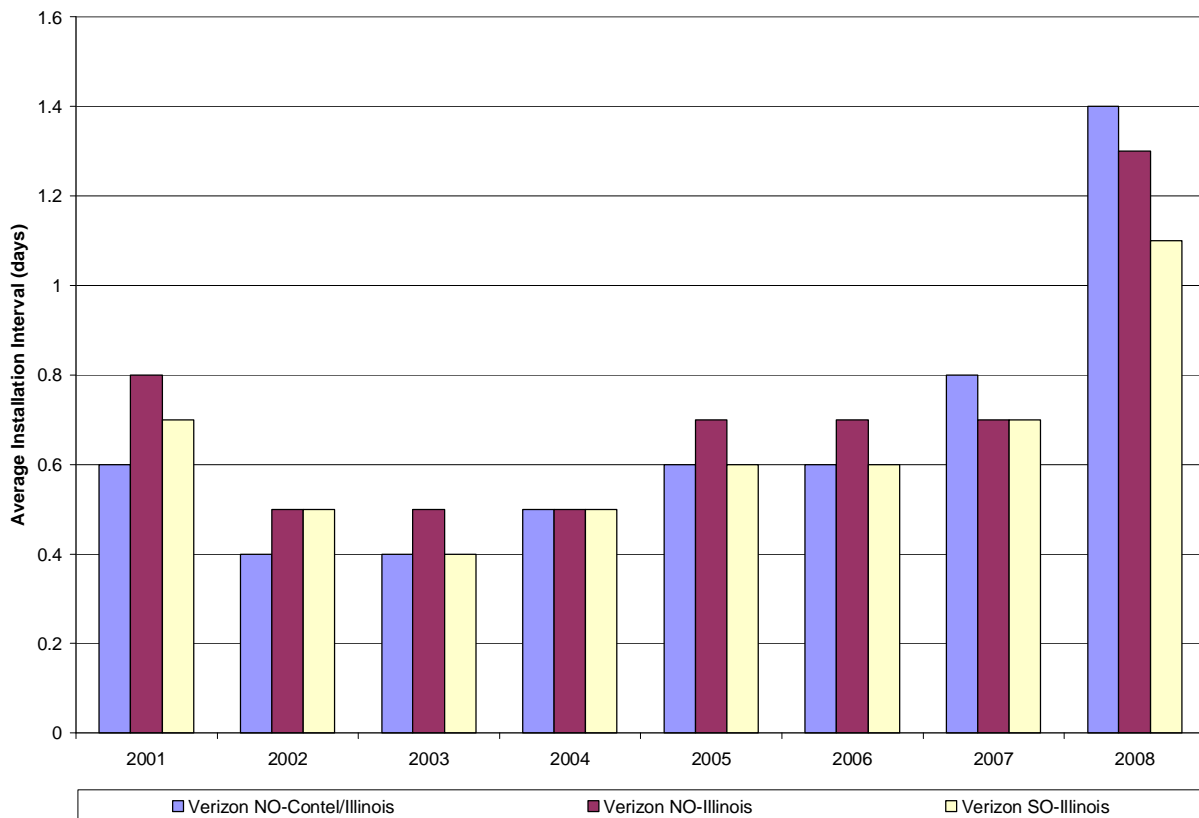
Q: Did you also examine ARMIS data that Verizon reports for its operating companies in Illinois?

A: Yes. Verizon's service quality has declined precipitously in recent years. For example,

¹⁰⁷ / ARMIS Report 43-05 Service Quality Report, Table II Installation and Repair Intervals (Local Service).

Verizon's average installation interval more than tripled from 0.4 days in 2003 to 1.4 days in 2008 in the Contel territory. The service quality of other Verizon companies also deteriorated in recent years. See Figure 8 below.

Figure 8¹⁰⁸
Average Installation Interval for Verizon Companies in Illinois: 2001 – 2008



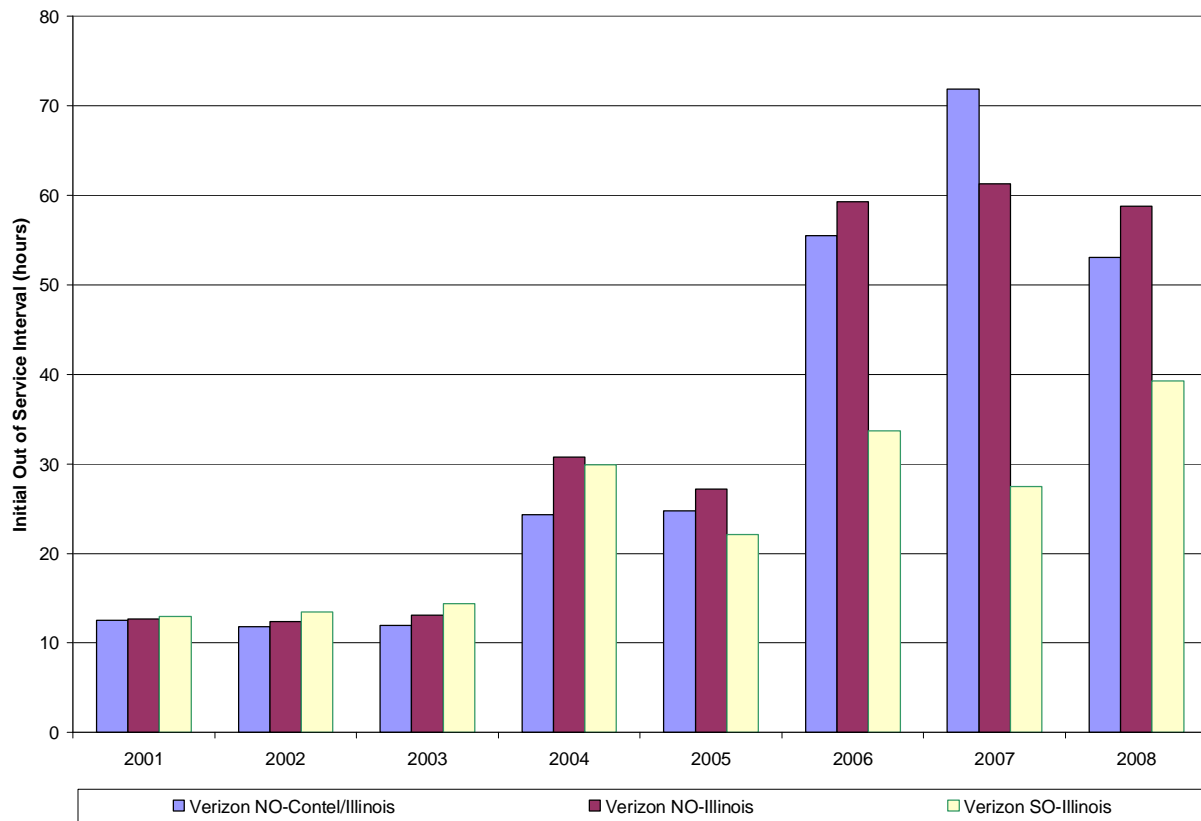
Q: Please describe Verizon's responsiveness to service problems.

A: Verizon's repair times for both initial and repeat problems have increased significantly in recent years. Figures 9 and 10 below show the increasing service intervals for initial and repeat troubles, respectively.

¹⁰⁸ / *Id.*

Figure 9¹⁰⁹

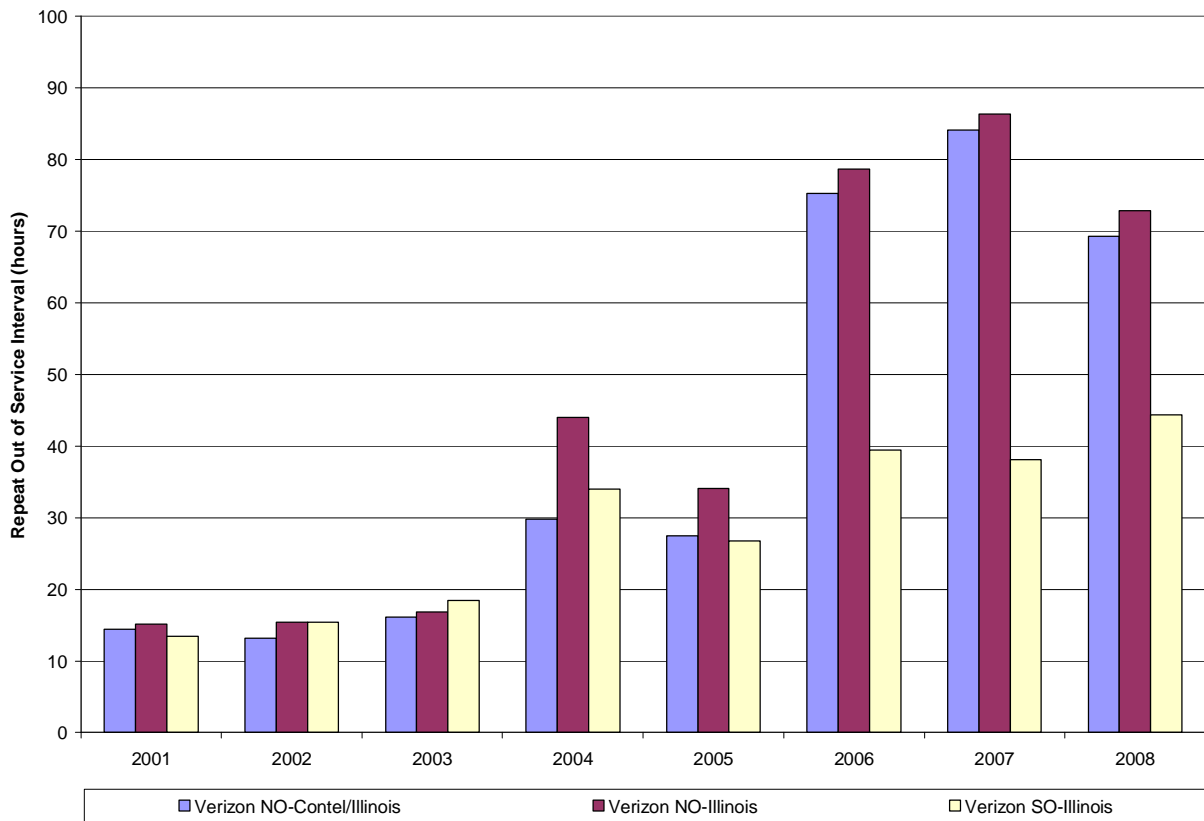
Initial Out of Service Interval for Verizon Illinois Companies: 2001 – 2008



¹⁰⁹ / *Id.*

Figure 10¹¹⁰

Repeat Out of Service Intervals for Verizon Illinois Companies: 2001- 2008



ARMIS-based service quality at the Joint Applicants' Holding Company level

Q: What does your analysis of service quality for Frontier and Verizon at the holding company level show?

A: ARMIS reports Verizon's performance separately between the former Bell Atlantic companies and the former GTE companies, and reports Frontier's performance separately between the former non-Frontier companies of Citizens Communications (which changed its name to Frontier in 2008, and which I refer to as "Frontier (former CTZ)") and the

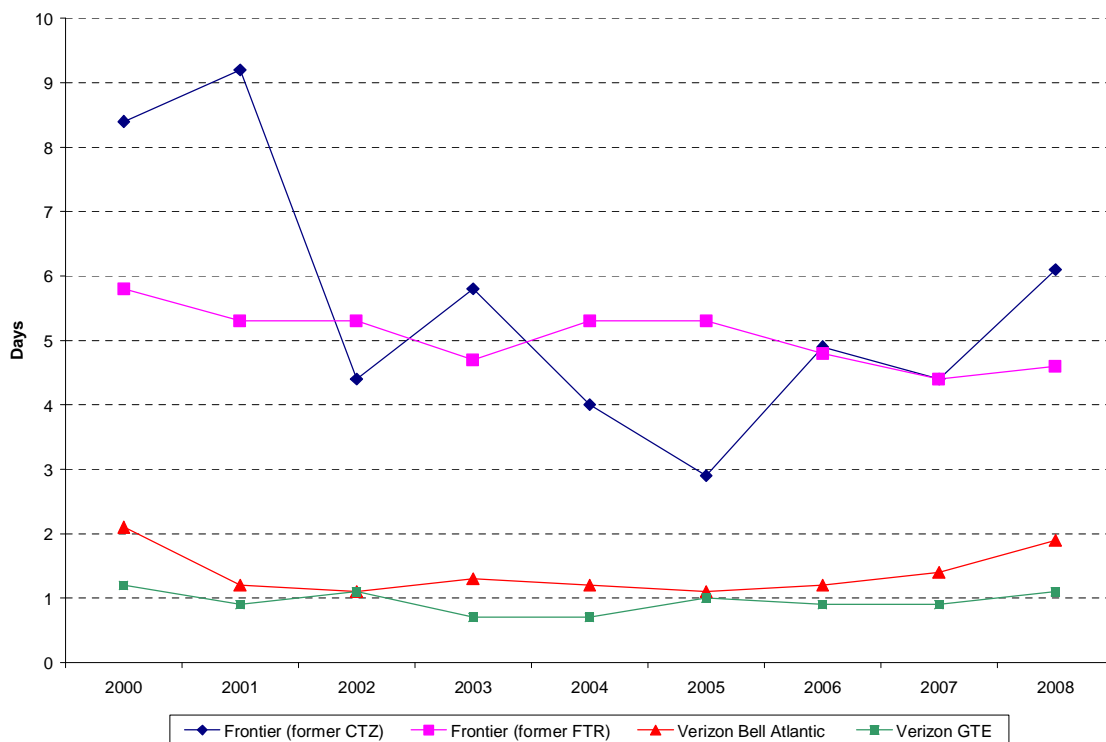
¹¹⁰ / *Id.*

legacy-Frontier companies of the current Frontier (which I refer to as “Frontier (former FTR)”).

Q: Explain further your observations of service quality at the holding company level.

A: The ARMIS data show that Frontier takes far longer to install service than does Verizon. Also, the progress that Frontier apparently made from 2000 through 2007 appears to have reversed. In 2008 Frontier required over 4.5 days on average to install service, while Verizon required fewer than two days. See Figure 11 below.

Figure 11¹¹¹
Average Installation Interval for Verizon and Frontier (Holding Company): 2000-2008

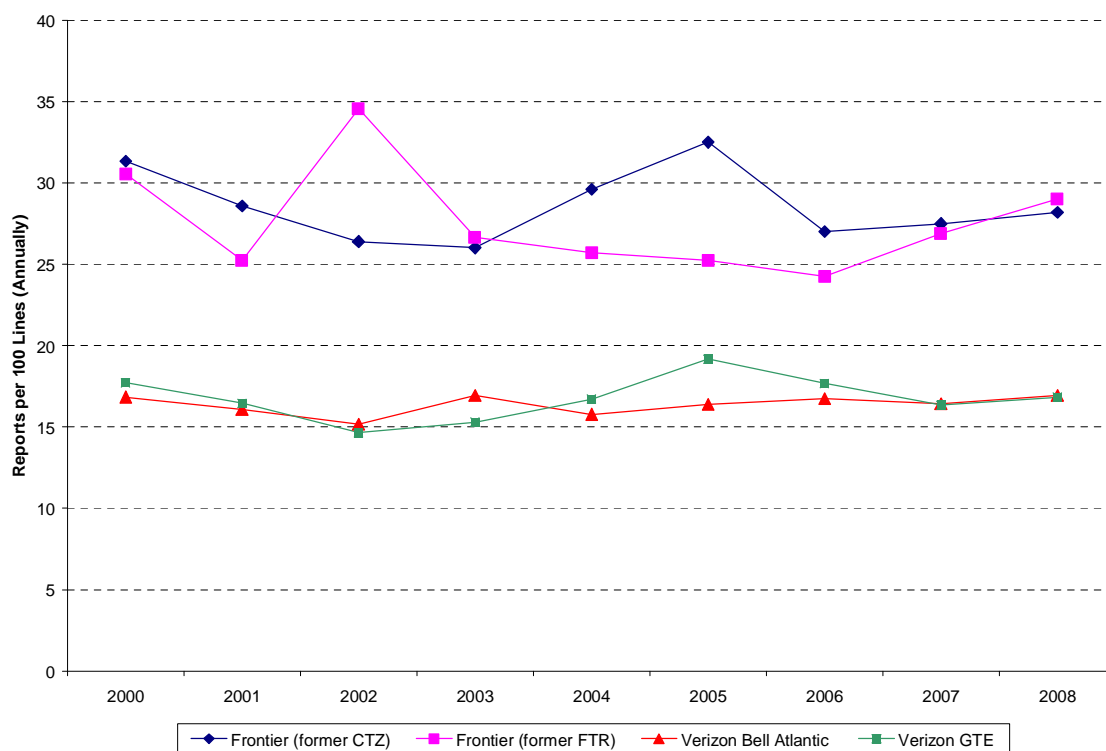


¹¹¹ / ARMIS Report 43-05 Service Quality Report, Table II Installation and Repair Intervals (Local Service).

1340 **Q: How do Frontier and Verizon compare in terms of the number of trouble reports?**

1341 A: Figure 12 shows that Frontier experiences far more trouble reports per 100 lines than does
1342 Verizon; most recently, in 2008, on an annual basis, Frontier had more than 28 initial
1343 trouble reports per 100 lines, while Verizon reported only 17.

1344 **Figure 12¹¹²**
1345 **Initial Trouble Reports per 100 Lines for Verizon and Frontier (Holding Company):**
1346 **2000-2008 (annual)**



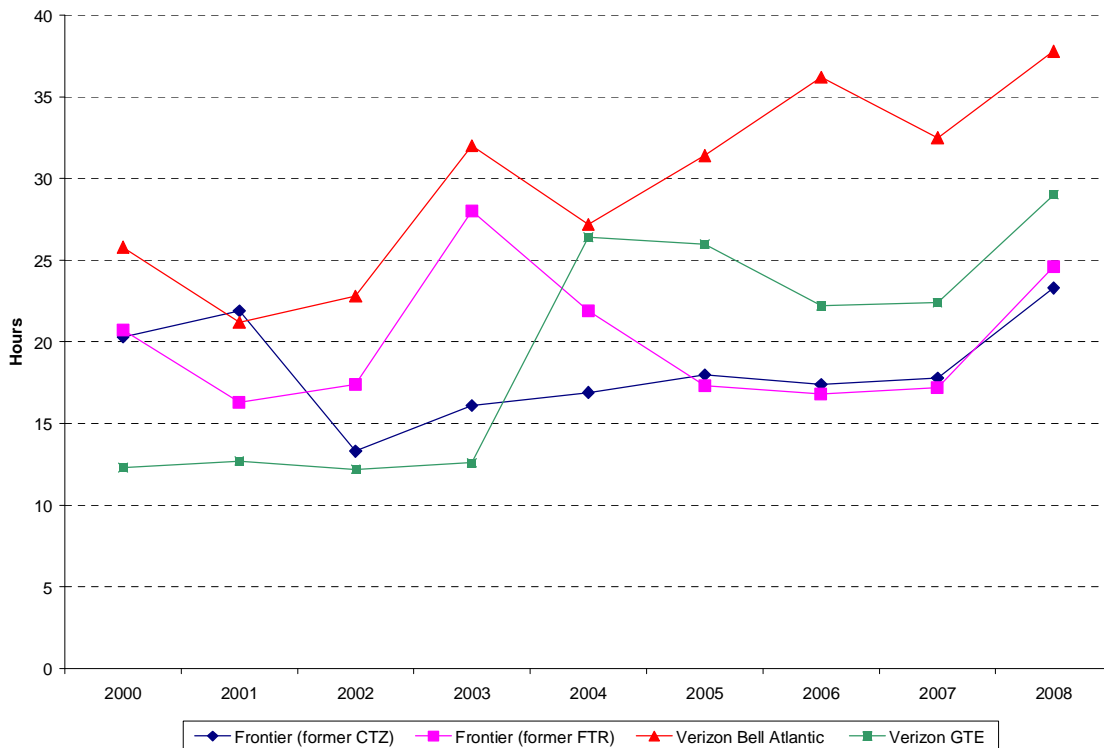
1347
1348
1349 **Q: Does Frontier respond to initial out of service trouble reports as quickly as Verizon?**

1350 A: Yes. However, as Figure 13 shows, service quality, as measured by this metric,
1351 deteriorated for both companies during 2008, meaning that consumers are waiting longer

¹¹² / ARMIS Report 43-05 Service Quality Report, Table II Installation and Repair Intervals (Local Service).

to have their basic dial tone line repaired. Verizon's and Frontier's consumers are without basic local service much longer than they were in 2000. The out of service interval for the former GTE companies of Verizon more than doubled from 12.3 hours in 2000 to 29.0 hours in 2008. The interval for the former Bell Atlantic companies of Verizon increased 50% from 25.8 hours in 2000 to 37.8 hours in 2008. The Frontier companies' intervals rose from 20.3 hours in 2000 to 23.3 hours in 2008 (former Citizens companies) and from 20.7 hours to 24.6 hours in 2008 (former Frontier companies), increases of 15% and 19%, respectively.

Figure 13¹¹³
Initial Out of Service Interval for Verizon and Frontier (Holding Company): 2000-2008



¹¹³ / ARMIS Report 43-05 Service Quality Report, Table II Installation and Repair Intervals (Local Service), Row 145.

1363

1364 **Q: What else do you conclude from your analyses in Figures 11 and 13?**

1365 A: The fact that Verizon's timeliness of repairing out of service troubles and installing basic
1366 service¹¹⁴ has deteriorated without any apparent repercussion for the company,

1367 underscores the need for regulatory oversight of an incumbent carrier's service quality.

1368 The merger between Bell Atlantic and GTE occurred in 2000, and since then, customers

1369 have been waiting longer for dial tone repair.¹¹⁵ In an affidavit that I co-sponsored in

1370 1998 I raised concerns about the implications of the Bell Atlantic/GTE merger on

1371 consumers, stating, among other things:

1372 • "The Applicants, however, have provided negligible information as to how these
1373 synergies will be achieved, and as to the impact of the cost-cutting measures and
1374 the competitive ventures on staffing and capital investment for home-region,
1375 regulated operations."¹¹⁶

1376 • "Another way to cut costs would be to allow service quality in less competitive
1377 markets to deteriorate. ... In the absence of widespread competition in the local
1378 exchange market, a carrier does not have an economic incentive to install

1379 residential lines in a timely manner, to address trouble reports for customers in

¹¹⁴ / In the former Bell Atlantic region, Verizon's average repair time increased from 27.2 hours in 2004 to 37.8 hours in 2008, an approximate 40% increase in wait times for consumers. Its average installation interval (also in the Bell Atlantic region) increased from 1.1 days in 2005 to 1.9 days in 2008, an approximate 70% increase.

¹¹⁵ / The FCC approved the merger, with conditions on June 16, 2000. Application of GTE Corporation, Transferor, and Bell Atlantic Corporation, Transferee, CC Docket 98-184, Memorandum Opinion and Order, 15 FCC Rcd 14032.

¹¹⁶ / GTE Corporation, Transferor, and Bell Atlantic Corporation, Transferee, For Consent to Transfer Control, Federal Communications Commission CC Docket No. 98-184, Affidavit of Susan M. Baldwin and Helen E. Golding, on behalf of a coalition of consumer advocates from Delaware, Hawaii, Maine, Maryland, Missouri, Ohio, Oregon, West Virginia, and Michigan, filed on December 18, 1998 ("Baldwin/Golding Affidavit"), at para. 64, footnote omitted.

rural areas, or to maintain service quality generally for customers without an opportunity to change suppliers. The Applicants have provided no compelling evidence of their economic incentive to maintain or to improve service quality for residential customers and/or for customers in regions of the country with the least prospect for competitive alternatives.”¹¹⁷

- “Furthermore, existing service quality standards and penalties are likely inadequate to detect and to prevent the deterioration of service quality to residential customers.”¹¹⁸

- “Contrary to their claim, the Applicants have strong economic incentives to reduce service quality, particularly for residential customers, to achieve projected synergies.”¹¹⁹

Q: Are the concerns that you raised in 1998 applicable to the proposed Verizon-Frontier transaction?

A: Unfortunately, yes. Whether to achieve projected synergies through cost-cutting measures, because of its focus on new services, the lack of competition, or other reasons, Verizon has indeed allowed service quality to deteriorate. The acquisition of 4.8 million lines in 14 states combined with the pressure to achieve synergies would challenge Frontier significantly and could lead to reduced focus on service quality.

Q: Are there other conclusions that you draw from your analysis?

A: Yes. Regardless of whether the transaction occurs, adequate economic incentives are

¹¹⁷ / Baldwin/Golding Affidavit, at para. 65.

¹¹⁸ / *Id.*, at para. 66.

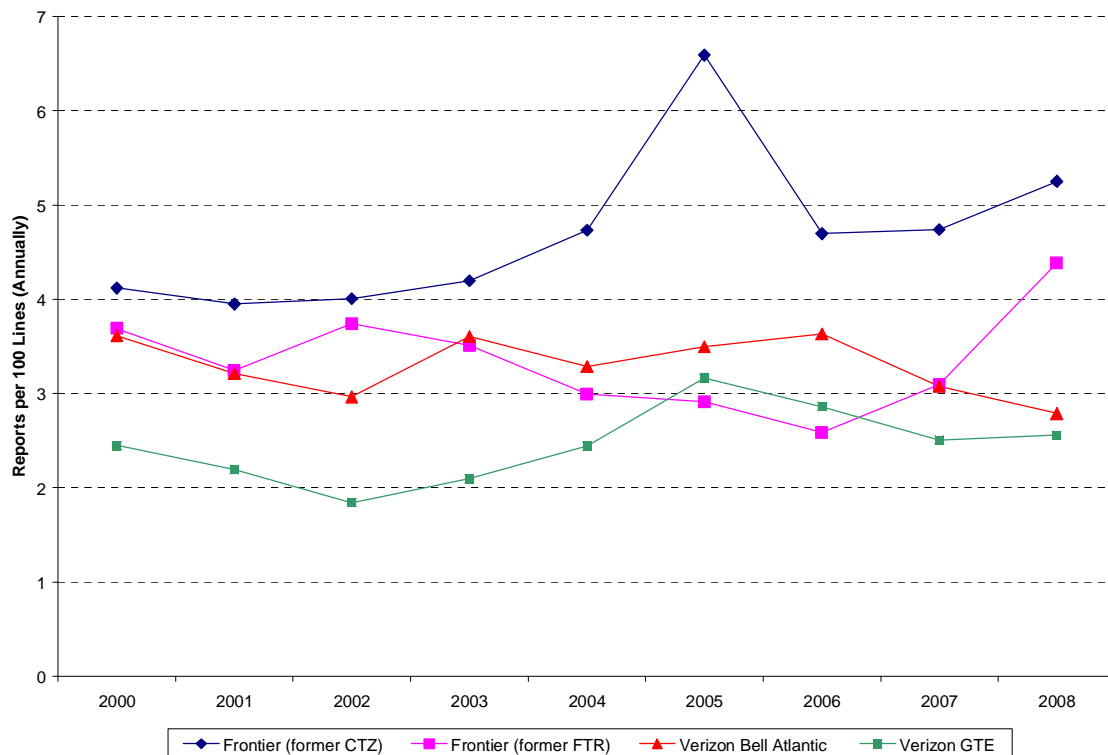
¹¹⁹ / Baldwin/Golding Affidavit, at para. 85.

critically important to ensure that service quality by incumbent carriers improves and then does not decline.

Q: Returning to your analysis of Verizon's and Frontier's footprint-wide service quality, what do you observe about repeat trouble reports?

A: Figure 14 shows that in 2008, Frontier had more than 4.4 repeat trouble reports per 100 lines while Verizon had fewer than 3.

Figure 14¹²⁰
Repeat Trouble Reports per 100 Lines for Verizon and Frontier (Holding Company):
2000-2008 (annual)



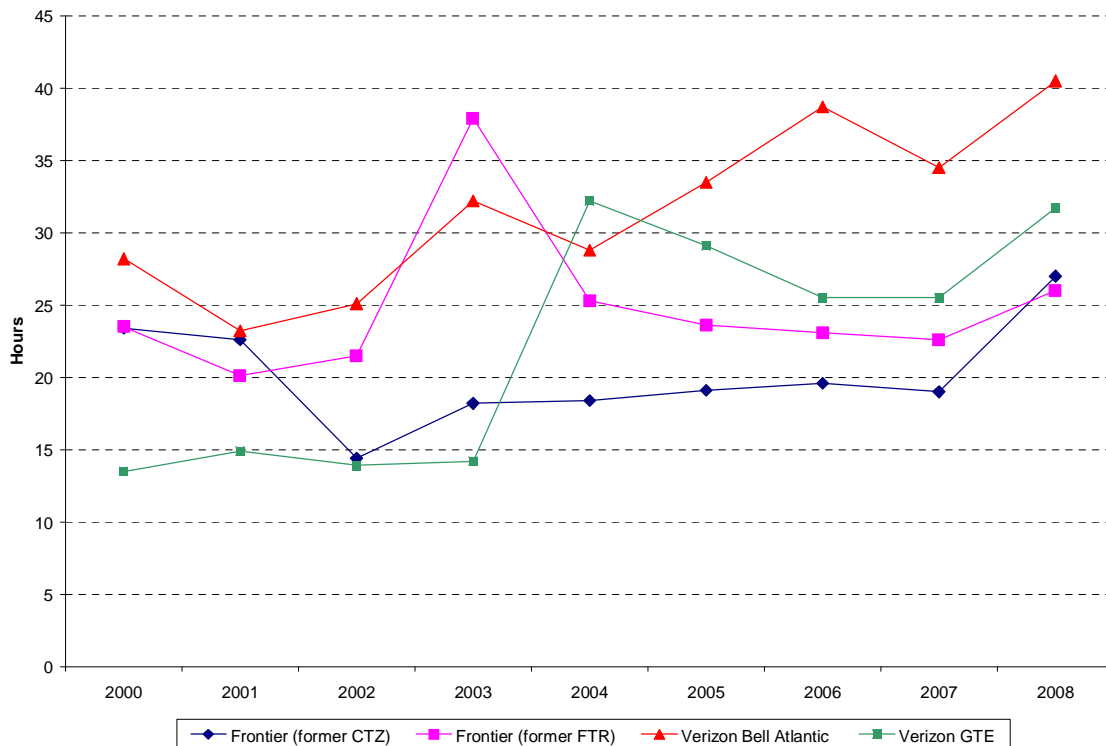
Q: How quickly does Frontier respond to repeat trouble reports?

A: Frontier's repeat out of service interval is shorter than Verizon's at the holding company

¹²⁰ / ARMIS Report 43-05 Service Quality Report, Table II Installation and Repair Intervals (Local Service).

level. However, Figure 15 shows that Frontier's 2008 repair-time slowed (for former CTZ) from 19 hours in 2007 to 27 hours in 2008, and (for former FTR) from 22.6 hours in 2007 to 26 hours in 2008. This means that customers who experience more than one trouble on the same line are waiting longer for final resolution of the problems they report. Furthermore, as is the case with all of the ARMIS data, the metrics are annual *averages*, and therefore do not reflect the specific levels of service quality that any particular customer may receive.

Figure 15¹²¹
Repeat Out of Service Interval for Verizon and Frontier (Holding Company):
2000-2008



Q: What do you conclude from your analysis of these ARMIS service quality metrics as

¹²¹ / ARMIS Report 43-05 Service Quality Report, Table II Installation and Repair Intervals (Local Service).

1424 **measured across the entire Frontier and Verizon footprints?**

1425 A: I conclude the following:

- 1426 • Frontier has a much higher incidence of trouble reports than does Verizon, which
1427 could be evidence of Frontier's failure to invest in its outside plant.
- 1428 • Frontier's repair times are lengthening, which means that customers are waiting
1429 longer to have their basic local service restored.
- 1430 • Frontier has not demonstrated that it can afford or will have the incentive to
1431 devote the resources necessary to maintain high service quality as it triples in size
1432 through the absorption of Verizon's rural territories.

1433 **Q: What do you conclude from your various service quality analyses?**

1434 A: My analysis of Frontier's service quality compared with Verizon in Illinois, Verizon at the
1435 holding company level, and in territories that it has acquired, raises concerns about
1436 Frontier's ability to take on an acquisition of the scale contemplated by the proposed
1437 transaction without probable adverse impact on Illinois consumers' quality of service.
1438 Frontier's claim that its experiences integrating other acquisitions were smooth is
1439 undermined by the FCC's ARMIS and New York Department of Public Service data. The
1440 proposed transaction risks overextending Frontier and harming Illinois consumers as
1441 Frontier seeks to add 4.8 million access lines to its organization.

1442

1443 ***Post-closing economic incentives confronting Frontier***

1444 **Q: Ms. Baldwin, you mentioned that you also recommend that the Commission**
1445 **consider the post-transaction economic incentives confronting Frontier. Please**

1446 **elaborate.**

1447 A: The main objective for Frontier following the transaction will be to stay afloat financially.
1448 Regardless of whether Frontier decides to integrate the back office systems at the closing
1449 or in three years, the process of integrating 4.8 million additional access lines, and
1450 approximately 10,700 additional employees spread over 14 states could prove
1451 overwhelming to Frontier.¹²² In fact, given the \$94 million fee Frontier will need to pay
1452 Verizon each year to maintain Verizon's back office systems, there would be significant
1453 pressure on Frontier to switch systems and thus achieve immediate cost-savings. Also,

1454 <<<BEGIN CONFIDENTIAL & PROPRIETARY [REDACTED]

1455 [REDACTED]

1456 [REDACTED] END

1457 CONFIDENTIAL & PROPRIETARY>>>

1458 ***Summary of analysis and recommendations regarding service quality***

1459 **Q: What then do you conclude?**

1460 A: Although Frontier professes a willingness to provide more customer focus than does
1461 Verizon, Frontier lacks the financial, technical, and managerial resources that Verizon
1462 possesses, and, therefore, the proposed transaction would create serious risks for
1463 consumers. Frontier's unenforceable promise of more customer focus does not justify the
1464 substantial risks to consumers that I set forth in this testimony and that Mr. Barber
1465 describes in his testimony.

¹²² / Prospectus, p. 32.

¹²³ / Frontier Communications, Project North – Expense Synergy Analysis Overview. See Response to IBEW 5.12.

1466 **Q: Ms. Baldwin, if contrary to your recommendation, the Commission contemplates**
1467 **approving the transaction, how might the Commission address some of the concerns**
1468 **that you have raised about service quality?**

1469 A: First, in light of the difficulty in assessing the status of Verizon's Illinois infrastructure, and
1470 the lack of evidence that Frontier has conducted sufficient due diligence regarding Verizon
1471 North's and Verizon South's infrastructure, I recommend that a third party audit be
1472 conducted of Verizon's Illinois plant to assess factors such as, but not limited to,
1473 determining the prevalence of temporary closures, the sufficiency of back-up power for
1474 remote units, presence of moisture in cables, the incidents included in the FCC outage
1475 report, and the extent, if any, of defective plant. I discuss several other service quality
1476 recommendations in detail Section VII to address ways to make Verizon more
1477 accountable for the operations it proposes to walk away from and to establish post-
1478 transaction financial incentives for Frontier to provide acceptable service quality to
1479 consumers in Illinois.

VII. CONCLUSION

Q: Please summarize your major assessments of the probable impact of the transaction on consumers.

A: On balance, for the reasons set forth in Mr. Barber's testimony and in this testimony, the proposed transaction is not in the public interest and likely would harm consumers. The Commission should reject the transaction because there is no set of conditions that would protect consumers. If, however, the Commission, despite Mr. Barber's recommendations and my recommendations, is contemplating approving the transaction, it is essential that measures be adopted to protect consumers. If the Joint Applicants will not voluntarily agree to these commitments, the Commission should reject the transaction. As a framework for considering the role of such commitments, I recommend the following:

- Frontier promises greater broadband deployment, but there are no guarantees.
- Frontier promises improved customer service, but again there are no guarantees.
- Frontier has promised a more local, customer-based operation than Verizon provides. If Frontier lacks financial resources, however, those promises of a more local focus are meaningless. Further, if resources are diverted to integration and transition efforts, rather than to local service needs, customers may be further harmed.
- As regulators, customers, and employees have learned the hard way – pre-transaction promises do not always translate into post-transaction reality.
- The Commission confronts one company that seeks to abandon the state (but that possesses the financial resources, technical capability, and operational expertise necessary to run a telecommunications company and to offer 21st century services and products) and another company that seeks to enter the state (or expand its existing operations) and promises to provide more broadband, more capital expenditures and more local focus (but that lacks the necessary financial resources, and offers 20th century services).

1508 **Q: Please summarize your major recommendations for trying to mitigate against the**
1509 **numerous risks that the proposed transaction presents for consumers and the**
1510 **economy in Illinois.**

1511 A: The Commission should reject the proposed transaction because it is contrary to the public
1512 interest: the transaction would create too much risk of harm to consumers, the public and
1513 service quality. Furthermore, there is inadequate information on which to base a decision.
1514 Among other things, there is insufficient information about Frontier's systems integration
1515 plans, broadband plans and financing, as well as concerning Frontier's ability to achieve its
1516 projected synergies without serious harm to the public. The risks are great and cannot be
1517 ameliorated through conditions. However, if the Commission disagrees and believes that
1518 conditional approval would be in the public interest, then it should consider the conditions
1519 I describe below in combination with those described in Mr. Barber's testimony.

1520 **Harm of Systems Integration to consumers**

1521 **Q: Please summarize your concerns about system integration.**

1522 A: First and foremost, the \$94 million *annual* fee that Verizon would charge Frontier for
1523 maintenance of software will create financial pressure on Frontier, reducing the availability
1524 of funds for capital investment. Also, although the West Virginia cutover is occurring out
1525 of state, its success affects the overall viability of Frontier, which, in turn, affects
1526 consumers in Illinois. I am also concerned that Frontier lacks the track record and
1527 resources to cut over from Verizon's systems in West Virginia and also to integrate
1528 systems in thirteen other states without adverse impact on service quality.

1529

1530 Frontier waited seven years to integrate Rochester, which was a far smaller integration
1531 process.¹²⁴ Furthermore, that integration entailed approximately 500,000 lines primarily in
1532 a single state. By comparison, the proposed Verizon-Frontier transaction would entail 4.8
1533 million lines in 14 states. I am also concerned that pressure to achieve synergies could
1534 cause Frontier to integrate systems prematurely, creating customer disruption and further
1535 jeopardizing the success of the overall transaction.

1536 **Q: What could partly mitigate these consumer harms?**

1537 A: Verizon should restructure the transaction so that it does not require payment for the
1538 maintenance of Verizon's back office systems. Also Verizon's obligations for technical
1539 support should continue until such time as the Commission determines that the transition
1540 from Verizon's platform to Frontier's platform has been successfully completed, based on
1541 a third-party audit.

1542 **Q: How might the Commission measure Verizon's progress in meeting these**
1543 **milestones?**

1544 A: The Joint Applicants should agree to a third party audit of the systems integrations
1545 process. An outside party, such as an auditing firm, should perform tests of functionality
1546 and reliability of the new systems, and affirm to the Commission that the systems in
1547 question will perform the way they are intended to perform on the date of transfer, that is,
1548 that the systems will be able to process billing tasks, repair orders, personnel deployment,
1549 wholesale orders, etc. If the process is as straightforward as the Joint Applicants assert,
1550 the audit will be straightforward and not time-consuming. As a back-stop measure,

¹²⁴ Response to IBEW 4.26.

1551 however, it can help to prevent undue harm to consumers. Also, Frontier should perform
1552 a full test of the replicated systems including all aspects of customer support (retail and
1553 wholesale), dispatching, billing, and report to the Commission.

1554 **Q: Are there any ongoing conditions that should apply to Frontier?**

1555 A: Yes. Frontier should commit to allocate sufficient resources in Illinois to coincide with the
1556 time that systems integration occurs so that Frontier is able to handle any possible spikes
1557 in customer calls and complaints. Sufficiency of resources should be measured by
1558 examining resources for business as usual and scaling up to accommodate higher volumes
1559 of calls and possible problems at the time of the transfer to Frontier's platform. Also,
1560 before systems are shifted from the Verizon platform to the Frontier platform, Frontier
1561 should provide a report to the Commission outlining its plans, which would be subject to
1562 the Commission's review and approval.

1563 **Adverse impact of transaction on broadband deployment and speeds in Illinois.**

1564 **Q: Please summarize your concerns about the impact of the proposed transaction on**
1565 **broadband deployment in Illinois.**

1566 A: I am concerned that Frontier will lack the financial resources and incentives to invest in
1567 Illinois's telecommunications infrastructure, and therefore will be unable to make the
1568 capital expenditures necessary to support broadband access at reasonable speeds for
1569 consumers. Frontier has not demonstrated that it possesses the financial, technical and
1570 managerial resources necessary to deliver state-of-the-art broadband to Illinois's
1571 consumers, and therefore I am concerned about Illinois's economy being left behind
1572 during the information-intensive 21st century.

1573 **Q: But Frontier has stated that it intends to expand broadband deployment in Illinois.**

1574 **Isn't that sufficient?**

1575 A: No. Frontier's broadband promises are vague: They lack specificity, milestones, and
1576 evidence to demonstrate that although Verizon has left many areas of its Illinois footprint
1577 without broadband, Frontier somehow will possess the financial, technical and managerial
1578 resources to do so. Further, over the past two years, Verizon has been investing more per
1579 access line in Spinco than Frontier has been investing in its existing service areas.
1580 Moreover, Frontier's projected annual level of capital expenditures in the Spinco areas is
1581 less than Verizon's actual investment in those areas during each of the past two years. I
1582 cannot conclude that the proposed transaction is in the public interest when the new
1583 owner would invest so much less in the business than the existing owner has been
1584 investing.

1585

1586 I also am not persuaded that Frontier will be more successful than Verizon at deploying
1587 broadband and encouraging adoption. Specifically, I am concerned that the cost of
1588 extending broadband to the entire transaction territory will conflict with Frontier's goal of
1589 revenue stability. The Joint Applicants have not demonstrated that Frontier is sufficiently
1590 familiar with and financially able to upgrade the network in Illinois to enable Frontier to
1591 offer broadband to underserved and unserved areas in the SpinCo footprint. It is entirely
1592 possible that the network Verizon is abandoning is ill-equipped to provide broadband.
1593 (Indeed, if it were financially attractive to offer broadband, Verizon would have already
1594 done so.) Furthermore, Frontier will not have the higher level of universal service funding

1595 support in the VSTO territories to which it is accustomed -- and likely bases its copper-
1596 based DSL investments -- in Frontier's existing footprint. Presumably the locations that
1597 are not yet served in Verizon's footprint are the most costly and least financially attractive
1598 areas to serve.

1599 **Q: What then do you recommend?**

1600 A: I have several recommendations. First and foremost, I recommend that the Commission
1601 deny the application and reject the proposed transaction. If the Commission disagrees,
1602 than I recommend that Verizon establish a Broadband Escrow Fund. I also recommend
1603 that the Commission impose specific milestones for achieving ubiquitous broadband
1604 availability in the transaction territory, milestones for which the Joint Applicants are both
1605 responsible for meeting. Finally, I recommend that the Commission impose conditions on
1606 Verizon and Frontier to ensure that Illinois policymakers have the information they need
1607 to continuously monitor the level of broadband deployment and speeds in Illinois.

1608 **Q: What is the cost, per line, to deploy DSL?**

1609 A: One industry expert at the August 13, 2009 FCC Broadband Workshop estimated the cost
1610 to deploy broadband infrastructure to remaining unserved areas in general terms:
1611 "Cable/DSL should be less than \$500, fiber < \$1500 unless long runs of new fiber
1612 required."¹²⁵ These estimates refer to the average cost of deployment per customer
1613 location.

1614 **Q: Have you reviewed any other cost data for deploying high speed Internet access?**

¹²⁵ / FCC Broadband Workshop "Technology/Fixed Broadband," August 13, 2009, presentation of David Burstein, Editor, DSL Prime. Mr. Burstein's PowerPoint presentation is available at http://www.broadband.gov/ws_fixed_bb.html and reproduced as Exhibit SMB-5.

1615 A: Yes. According to a Verizon press release in 2008, Verizon invested more than \$13.5
1616 million since 2006 to bring broadband technology to an additional 37,000 Ohio lines.¹²⁶
1617 This works out to a deployment cost of \$365 per line. Although this deployment occurred
1618 in Ohio, it provides one measure of the magnitude of Verizon's cost of broadband
1619 deployment.

1620 **Q: Is this representative of the per-line DSL deployment cost that Frontier likely would**
1621 **incur?**

1622 A: No. Presumably Verizon has already deployed broadband to the areas where it is most
1623 cost-effective, and therefore, deploying broadband to other locations will be more costly.
1624 If Verizon disposes of its Illinois territory, then Frontier, a far smaller company, will be left
1625 to cover the more expensive portion of broadband deployment.

1626 **Q: But aren't there NTIA funds available to subsidize broadband deployment?**

1627 A: Yes. However, according to the FierceWireless newsletter, NTIA received applications
1628 totaling \$28 billion for the initial round of \$4 billion of broadband grants.¹²⁷ This
1629 demonstrates the intense demand for the grants. Furthermore, although I cannot predict
1630 how NTIA will award the monies among the states, a back-of-the-envelope estimate of
1631 SpinCo Illinois's portion of the monies, if the grants from the first round of broadband
1632 stimulus funds are divided up according to the proportion of access lines, would be
1633 approximately \$17 million.

1634 **Q: How did you derive this estimate?**

¹²⁶ / "More Consumers in Seven Ohio Communities Have Access to Fast, Affordable Verizon High Speed Internet Service," December 22, 2008. <http://newscenter.verizon.com/press-releases/verizon/2008/more-consumers-in-seven-ohio.html>. This press release is reproduced as Exhibit SMB-6.

1635 A: Because SpinCo Illinois's access lines total about 670,000, and there are approximately
1636 155 million end user access lines the United States,¹²⁸ SpinCo's proportion of all access
1637 lines is about 0.43%. To reiterate, I computed the \$17 million simply to provide an order
1638 of magnitude. Actual grants will depend on whether Verizon sought any funds and on the
1639 pending NTIA deliberations.

1640 **Q: Isn't the FCC considering adding broadband as a supported service with respect to**
1641 **the Universal Service Fund ("USF")?**

1642 A: Yes. In its Notice of Inquiry to develop its Congressional mandated National Broadband
1643 Plan, the FCC sought comments on the relationship between broadband deployment and
1644 the universal service programs and whether it should modify its existing universal service
1645 programs by adding broadband to the list of supported services.¹²⁹ Also, Representative
1646 Doris Matsui (D, California), a member of the House Energy and Commerce Committee,
1647 introduced legislation on September 24, 2009 that would expand the Universal Service
1648 Fund to cover broadband services for low-income consumers (at a discounted rate). The
1649 Broadband Affordability Act of 2009 would charge the FCC with establishing a program
1650 which enables Lifeline customers to also qualify for discounted broadband service. The
1651 legislation would require the same eligibility requirements that are currently used for

¹²⁷ / "NTIA to begin awarding broadband stimulus grants in November," FierceWireless, September 23, 2009.

¹²⁸ / FCC, Wireline Competition Bureau, *Local Telephone Competition: Status as of June 30, 2008*, July 2009, at Table 1.

¹²⁹ / In the Matter of A National Broadband Plan for Our Future, FCC GN Docket No. 09-51, *Notice of Inquiry*, at para. 41. See, generally, *id.*, at paras. 39-41. See, also, High-Cost Universal Service Support; Federal-State Joint Board on Universal Service; Lifeline and Link Up; Universal Service Contribution Methodology; Numbering Resource Optimization; Implementation of the Local Competition Provisions in the Telecommunications Act of 1996; Developing a Unified Intercarrier Compensation Regime; Intercarrier Compensation for ISP-Bound Traffic; IP-Enabled Services, CC Docket Nos. 96-45, 96-98, 99-68, 99-200, 01-92, WC Docket Nos. 03-109, 04-36, 05-337, 06-122, *Order on Remand and Report and Order and Further Notice of Proposed Rulemaking*, rel. Nov. 5, 2008, at Appendix A, paras.

1652 Lifeline services. The proposed legislation would also require the FCC to periodically
1653 study the market price and speed for such services. Representative Matsui stated: “To
1654 fully close the digital divide we must address the affordability of broadband services for
1655 lower-income households . . . Although these households may have some options for
1656 broadband access, they are underserved if none of these options are affordable.”¹³⁰

1657 **Q: Why then are you still concerned about broadband deployment in Illinois?**

1658 A: It is difficult to predict if the FCC will actually adopt a plan that includes universal funds
1659 for broadband deployment or the timeframe for any action. States should still play an
1660 active role in determining the outcome of broadband deployment efforts¹³¹ and there is no
1661 assurance that Frontier will utilize broadband funds to deploy to unserved areas in Illinois
1662 even if those funds are available. Furthermore, as noted by the FCC in its National
1663 Broadband Plan NOI, “Although the High-Cost program does not explicitly support the
1664 provision of broadband, as do the Schools and Libraries and Rural Health Care programs,
1665 a carrier providing broadband services indirectly receives the benefits of high-cost
1666 universal service support when its network provides both the supported voice services and

64-91. The FCC sought comment on a plan to adopt a Broadband Lifeline/Link Up Pilot Program.

¹³⁰ *TR Daily*, September 24, 2009.


¹³¹ On April 24, 2009, the National Association of Regulatory Utility Commissioners (“NARUC”) sent a letter to Acting Chairman Copps and the other Commissioners attaching its recently passed resolution that “strongly encourages” the FCC to declare broadband Internet access service as eligible for the USF support. The resolution asks the FCC to immediately create a three-year federal Lifeline and Link-Up Pilot Program for broadband Internet access services and enabling access devices and ensure the Pilot Program is open to all broadband Internet access service providers. NARUC stated: “The Commission’s Lifeline and Link Up programs have made local telephone service widely available at an affordable rate. In an era defined by broadband access to the Internet, those same Commission mechanisms should now be applied to bring broadband services to low-income Americans.” Available at: <http://www.naruc.org/Testimony/08%200424%20NARUC%20BB%20LL%20LINKUP%20SUPPORT%20EX%20PARTE.pdf>. NASUCA passed telecommunications-related resolutions at its mid-year meeting in June 2009 including: Resolution 2009-06: Calling for Lifeline and Link-Up program support for broadband Internet access services and devices. Full text of the resolutions is available at <http://www.nasuca.org/2009%20Boston.php>.

1667 broadband services.”¹³²

1668 **Q: What is the present status of DSL deployment?**

1669 A: The FCC’s High Speed Internet Access report shows that, as of June 2008, of the lines in
1670 Illinois served by an ILEC, the percentage of lines that have DSL availability is 85%;¹³³
1671 however, this percentage includes all ILECs operating in Illinois, not only Verizon.

1672 **Q: Is there other deployment data specific to Verizon in the record that would allow for**
1673 **a more accurate estimate of the size of a Broadband Escrow Fund necessary for the**
1674 **Spinco region in Illinois?**

1675 A: Yes. According to Verizon, <<<**BEGIN CONFIDENTIAL & PROPRIETARY** 
1676 **END CONFIDENTIAL & PROPRIETARY**>>> of SpinCo’s lines in Illinois already
1677 have high speed Internet availability.¹³⁴

1678 **Q: Did Verizon, during the course of its participation in the proposed transaction,**
1679 **estimate the cost of extending broadband in all of the SpinCo states?**

1680 A: Yes. In Confidential & proprietary HSR attachment 4.c.45, Verizon includes cost
1681 estimates for expanding the availability of DSL in the SpinCo service territory.

1682 **Q: Did you prepare a proprietary cost estimate based on the highly sensitive**
1683 **deployment and cost data that Verizon provided?**

¹³² In the Matter of A National Broadband Plan for Our Future, FCC GN Docket No. 09-51, *Notice of Inquiry*, at para. 39. See, *id.*, at footnote 49 stating: “The public switched network is not a single-use network, and modern network infrastructure can provide access not only to voice service, but also to data, graphics, video, and other services. The Commission’s policies do not impede the deployment of modern plant capable of providing access to advanced service.”

¹³³ / FCC, Wireline Competition Bureau, *High-Speed Services for Internet Access: Status as of June 30, 2008*, July 2009, at Table 14.

¹³⁴ / April 16 Board of Directors Materials, at 20. See Confidential & Proprietary Exhibit SMB-HSC-3.

1684 A: Yes. I estimated the cost of completing broadband deployment in SpinCo Illinois based

1685 on this information. <<<BEGIN CONFIDENTIAL & PROPRIETARY [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

1692 [REDACTED]

1693

¹³⁵ / Indeed, the very existence of the NTIA grant program underscores the fact that, without government subsidies, providers likely will not serve many regions of the country.

Confidential & proprietary Table SMB-6¹³⁶
Incremental and Cumulative Costs of Achieving 100% DSL
Availability in SpinCo Illinois

DSL Availability Goal	Additional Lines to Reach Goal	Total Lines with DSL	Incremental Cost per Line	Cumulative Cost to Achieve Goal
70%				
80%				
90%				
100%				
Total cost to expand DSL deployment to 100% of lines in Illinois SpinCo territory:				
Notes: According to Frontier's S-4, SpinCo has 573,321 lines in Illinois. Of these, or currently have DSL availability.				

END CONFIDENTIAL & PROPRIETARY>>>








To show Verizon's cost estimate for expanding DSL availability in the *entire* Spinco territory, I have reproduced Verizon's Confidential & proprietary attachment 4.c.45 as Confidential & proprietary Exhibit SMB HSC-7. Confidential & proprietary Table 7 below summarizes Verizon's estimates of the costs associated with reaching various deployment milestones throughout its Spinco territory.

<<<BEGIN CONFIDENTIAL & PROPRIETARY

¹³⁶ / HSR Attachment 4.c.45 (reproduced as Confidential & Proprietary Exhibit SMB-HSC-7). Note that these estimates were produced by Verizon; April 16 Board of Directors Materials, at 20. According to the Prospectus, SpinCo serves 573,321 lines in Illinois.

1706
1707
1708

Confidential & proprietary Table 7¹³⁷
Verizon Cost Estimates to Expand DSL Deployment in SpinCo Territory

DSL Availability Goal	Incremental Cost per Line	Incremental Deployment Cost for SpinCo States
60% DSL availability		
70% DSL availability		
80% DSL availability		
Total cost to expand DSL deployment to 80% of lines in SpinCo territory:		

1709

1710

1714

1720

137 / HSR Attachment 4.c.45. Note that these estimates were produced by Verizon.

¹³⁸ / May 1 Board of Directors Materials, at 19.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

1725 [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

1732 [REDACTED] **END CONFIDENTIAL & PROPRIETARY>>>**

1733 **Q: Please summarize your Broadband Escrow Fund recommendation**

1734 A: Verizon should place funds in an escrow fund in the magnitude I discuss above that will

1735 allow 100% broadband availability. The funds should only be returned to Verizon upon

1736 verifiable attainment of DSL availability milestones in the transaction area.

1737 **Q: What milestones do you suggest?**

1738 A: I suggest a sequence of annual milestones aimed at guaranteeing broadband availability to

1739 100% of the transaction territory within three years. Intermediate milestones should be:

1740 (1) within one year of the Transaction Closing Date, 75% of the lines in the

1741 transaction territory should be capable of carrying DSL service at 3 Mbps

1742 download speed;

1743 (2) within two years of the Transaction Closing date, 90% of the lines in the
1744 transaction territory should be capable of 3 Mbps DSL service, and 75% of lines
1745 should be capable of 5 Mbps service;

1746 (3) within three years of the Transaction Closing date, 100% of the lines in the
1747 transaction territory should be capable of 5 Mbps DSL service, and 85% of lines
1748 should be capable of 7 Mbps DSL service.

1749 It is only after each milestone is achieved that Verizon would have a portion of the
1750 Escrow funds returned. If the milestones are not met, the funds would be turned over to a
1751 public entity charged with completing broadband deployment in Illinois.

1752 **Q: Explain why Verizon should deposit money in the Broadband Escrow Fund instead**
1753 **of Frontier, the proposed purchaser of these lines.**

1754 **A:** As I stated above, Verizon is disposing of Illinois assets which may contain seriously
1755 impaired infrastructure. The Commission should not allow Verizon to “skip town”
1756 without concrete assurances that the infrastructure it leaves behind is capable of serving
1757 Illinois consumers in the digital age. By requiring Verizon to put a large sum at risk, the
1758 Commission forces Verizon to maintain some “skin in the game,” and aligns the incentives
1759 of Verizon with Illinois consumers.

1760 **Q: Should the Commission qualify its approval of the transaction on any other**
1761 **conditions relating to broadband?**

1762 **A:** Yes. The Commission should require Verizon to submit a report to the Commission
1763 detailing current Illinois broadband deployment at a very granular level (e.g. on an
1764 address-by-address basis). Verizon should also be required to provide comprehensive data
1765 about its infrastructure, broadband locations, broadband speeds, etc., in the format that is
1766 required by the entity in Illinois that is responsible for broadband mapping under the NTIA

1767 guidelines. This would enable Frontier to avoid incurring this expense, and would
1768 facilitate the state's ability to achieve its broadband goals in a timely manner.¹³⁹

1769 **Q: Should the Commission require anything of Frontier?**

1770 **A:** Yes. The Commission should require that Frontier provide regularly updated information
1771 about its broadband availability, services, speed, and infrastructure to the entity in Illinois
1772 charged with broadband mapping and to the Commission. It should also provide its
1773 "Form 477" broadband data to the Commission and to the "eligible entity" at the same
1774 time that it submits such data to the FCC to assist the state of Illinois in monitoring and
1775 pursuing its broadband goals.¹⁴⁰

1776

1777 Finally, Frontier must produce a feasible plan to ensure that it can meet the broadband
1778 deployment milestone described above.

1779 **Harm to Service Quality**

1780

1781 **Q: Please summarize your major concerns about the impact of the transition on service**
1782 **quality.**

1783 **A:** I am concerned that Frontier will lack the financial resources and incentives to invest in
1784 Illinois's telecommunications infrastructure. I am also concerned that Frontier has not

¹³⁹ / Department Of Commerce, National Telecommunications and Information Administration, State Broadband Data and Development Grant Program, RIN 0660-ZA29, *Notice of Funds Availability*, July 8, 2009.

¹⁴⁰ / In its mid-year meeting, the National Association of Regulatory Utility Commissioners ("NARUC") adopted a resolution asking the FCC to: (1) provide States that so request with disaggregated data from the relevant current Form 477 submissions by wireline and wireless broadband service providers; (2) require broadband service providers to simultaneously file future Form 477 reports with both the FCC and the requesting States; and (3) condition the aforementioned on a State's commitment to treat such Form 477 reports as privileged or confidential, as a record not subject to public disclosure except as otherwise mutually agreed to by the broadband service provider. See <http://www.naruc.org/Resolutions/Resolution%20on%20Broadband%20Mapping%20Data1.pdf>.

provided persuasive evidence that it is familiar with the condition of the network, assets, vehicles, etc. that it proposes to purchase from Verizon in Illinois.

I am concerned about the historical trend of service quality deterioration combined with the financial constraints that Frontier would confront if the transaction occurs. These trends underscore the importance of establishing financial incentives to prevent further deterioration. I am also concerned about the competing interest of ensuring financial stability for Frontier and the goal of ensuring that service quality is reasonable.

Q: Are there certain measures that would address, at least in part, some of these concerns?

A: To address my concern about the lack of detailed information about Verizon's infrastructure, I recommend that a third party audit be conducted of Verizon's plant in Illinois to assess factors such as, but not limited to, determining the prevalence of temporary closures, the sufficiency of back-up power for remote units, presence of moisture in cables, status of the facilities identified in the FCC outage report, and the extent, if any, of defective plant. The audit should be completed before the Commission approves the transaction and Verizon should be required to put into escrow the funds necessary to follow through on the specific recommendations of the audit. The Joint Applicants should submit the names of three firms that have no interest with the Joint Applicants, and based on the proposals of those three firms, the Commission should select one firm to conduct the audit.

Q: What specifically should Verizon's responsibilities entail?

1807 A: Verizon should pay for an audit to be conducted of its network under the supervision of
1808 the Commission, with proposals submitted to the Commission, and the auditor selected by
1809 the Commission. Verizon should either complete the recommended maintenance and
1810 investment set forth in the Network Audit or should place the funds necessary for such
1811 completion in a Network Investment Fund. To address the concern that post-transaction
1812 service quality penalties could jeopardize Frontier's financial stability, Verizon should
1813 establish a Service Quality Incentive Escrow Fund that would cover two years' worth of
1814 penalties.

1815 **Q: What ongoing commitments should Frontier make?**

1816 A: Frontier should submit service quality data to the Commission on a monthly basis and
1817 should post the service quality data on its web site. Frontier should commit to continue
1818 filing its ARMIS service quality reports that it now submits to the FCC even if the FCC
1819 requirements are discontinued at some point in the future, and should submit the ARMIS
1820 report to the Commission when it submits the report to the FCC.

1821 **Q: How would you remedy the problem that Frontier confronts incentives to cut costs,**
1822 **which could jeopardize service quality?**

1823 A: Appropriate economic incentives should be established so that Frontier maintains a
1824 customer focus. The Joint Applicants should agree to a Service Quality Index with
1825 penalties for missing the Commission's benchmarks.

1826 **Q: How might such an incentive plan work?**

1827 A: The penalty structure would include a \$7,500 fine per percentage point missed for each
1828 benchmark for an overall limit of \$12.5 million per year. Specifically, the percentage

1829 deviation from the benchmark should be calculated separately for each metric, and these
1830 deviations summed each month. For each month, the sum of percentage points deviation
1831 should be multiplied by \$10,000. For example, if the benchmark for trouble report rate
1832 per 100 lines is 1.5, but the actual performance is 1.8, then the percentage deviation is
1833 $(1.8-1.5)/1.5 = 20\%$. If the deviations for all other metrics sum to 0, then the sum over all
1834 metrics is 20%, resulting in a penalty of $20 * \$10,000 = \$200,000$.

1835 ***Conclusion***

1836 **Q: In summary, what do you recommend?**

1837 A: I recommend that the Commission deny the application because the proposed transaction
1838 is not in the public interest, as I described above.

1839 **Q: Does this conclude your testimony?**

1840 A: Yes.

ATTACHMENT A

SUSAN M. BALDWIN
17 Arlington Street
Newburyport, MA 01950
978-255-2344 (v) • 978-255-2455 (f)
smbaldwin@comcast.net

Susan M. Baldwin specializes in telecommunications economics, regulation, and public policy. Since 2001, she has been an independent consultant. Ms. Baldwin has been actively involved in public policy for thirty-one years, twenty-five of which have been in telecommunications policy and regulation. Ms. Baldwin received her Master of Economics from Boston University, her Master of Public Policy from Harvard University's John F. Kennedy School of Government, and her Bachelor of Arts degree in Mathematics and English from Wellesley College. Ms. Baldwin has extensive experience both in government and in the private sector.

Ms. Baldwin has testified before the Arkansas Public Service Commission, California Public Utilities Commission, Colorado Public Utilities Commission, Connecticut Department of Public Utility Control, District of Columbia Public Service Commission, Idaho Public Utilities Commission, Illinois Commerce Commission, Indiana Utility Regulatory Commission, Iowa Utilities Board, Maryland Public Service Commission, Massachusetts Department of Telecommunications and Energy, Nevada Public Service Commission, New Hampshire Public Utilities Commission, New Jersey Board of Public Utilities, Public Utilities Commission of Ohio, Rhode Island Public Utilities Commission, Tennessee Public Service Commission, Vermont Public Service Board, and Washington Utilities and Transportation Commission. Ms. Baldwin has also authored numerous comments and declarations submitted in various Federal Communications Commission proceedings.

Ms. Baldwin has also participated in projects in Delaware, Hawaii, Illinois, New York, Pennsylvania, and Canada on behalf of consumer advocates, public utility commissions, and competitive local exchange carriers. Ms. Baldwin has served in a direct advisory capacity to public utility commissions in the District of Columbia, Massachusetts, New Mexico, Utah and Vermont. Ms. Baldwin has also testified on behalf of public utility commission staff in Idaho and Rhode Island.

In her capacity as an independent consultant, Ms. Baldwin has consulted to and testified on behalf of consumer advocates on diverse matters including broadband deployment, numbering resources, unbundled network element (UNE) cost studies, incumbent local exchange carriers' requests for competitive classification of services, mergers and spin-offs, rate cases, universal service, service quality, and state *Triennial Review Order* (TRO) proceedings. She prepared comprehensive testimony analyzing mass market impairment on behalf of the New Jersey Division of Rate Counsel, the Arkansas Office of the Attorney General, and the Utah Committee of Consumer Services. (Testimony was not filed in Arkansas or Utah because of the

DC Circuit Court ruling in *USTA v. FCC*, which caused these states to postpone their investigations of impairment.)

Ms. Baldwin has contributed to numerous comments submitted to the FCC on diverse aspects of broadband in various proceedings on topics such as data collection, mapping, deployment, universal service, affordability, consumer protection, and network management. Also, in state regulatory proceedings that have examined carriers' proposals for spin-offs and for mergers, she has recommended conditions concerning broadband deployment.

Ms. Baldwin served as a direct advisor to the Massachusetts Department of Telecommunications and Energy (DTE) between August 2001 and July 2003, in Massachusetts DTE Docket 01-20, an investigation of Verizon's total element long run incremental cost (TELRIC) studies for recurring and nonrecurring unbundled network elements (UNEs). She assisted with all aspects of this comprehensive case in Massachusetts. Ms. Baldwin analyzed recurring and nonrecurring cost studies; ran cost models; reviewed parties' testimony, cross-examined witnesses, trained staff, met with the members of the Commission, assisted with substantial portions of the major orders issued by the DTE; and also assisted with the compliance phase of the proceeding.

Ms. Baldwin has also contributed to numerous comments and declarations submitted to the Federal Communications Commission on issues such as broadband; intercarrier compensation reform; price cap regulation; universal service; carriers' petitions for forbearance; separations reform; special access services, relay services; and numbering optimization.

Ms. Baldwin worked with Economics and Technology, Inc. for twelve years, most recently as a Senior Vice President. Among her numerous projects were the responsibility of advising the Vermont Public Service Board in matters relating to a comprehensive investigation of NYNEX's revenue requirement and proposed alternative regulation plan. She participated in all phases of the docket, encompassing review of testimony, issuance of discovery, cross-examination of witnesses, drafting memoranda and decisions, and reviewing compliance filings. Another year-long project managed by Ms. Baldwin was the in-depth analysis and evaluation of the cost proxy models submitted in the FCC's universal service proceeding. Also, on behalf of the staff of the Idaho Public Utilities Commission, Ms. Baldwin testified on the proper allocation of US West's costs between regulated and non-regulated services. On behalf of AT&T Communications of California, Inc. and MCI Telecommunications Corporation, Ms. Baldwin comprehensively analyzed the non-recurring cost studies submitted by California's incumbent local exchange carriers.

Ms. Baldwin has participated in more than a dozen regulatory investigations of the impact of proposed mergers and spin-offs of telecommunications carriers on consumers. Ms. Baldwin sponsored testimony on behalf of the New Hampshire Office of Consumer Advocate on Verizon's sale of its operations to FairPoint. Ms. Baldwin also sponsored testimony and declarations on behalf of the New Jersey Division of Rate Counsel on Verizon's acquisition of MCI, SBC's acquisition of AT&T, AT&T's acquisition of BellSouth, and Sprint's spin-off of its

local operations. During the 1990s, Ms. Baldwin also sponsored testimony on behalf of the Nevada Bureau of Consumer Protection on the proposed merger of Sprint and WorldCom; sponsored testimony on behalf of the Office of Ratepayer Advocates (ORA) of the California Public Utilities Commission and also on behalf of the Washington Office of Attorney General in their respective investigations of the proposed merger of Bell Atlantic Corporation and GTE Corporation; co-managed assistance to the Hawaii Division of Consumer Advocacy in the analysis of the proposed BA/GTE merger; sponsored testimony on behalf of the Ohio Consumers' Counsel and the Indiana Office of Utility Consumer Counselor on the SBC/Ameritech merger; co-sponsored testimony on behalf of the Connecticut Office of Consumer Counsel on the impact of SBC's acquisition of SNET on consumers; co-authored affidavits submitted to the FCC on behalf of consumer coalitions on the SBC/Ameritech and BA/GTE mergers; and co-managed a project to assist the ORA analyze the California Public Utilities Commission's investigation of the merger of Pacific Telesis Group and SBC Communications.

Ms. Baldwin has contributed to the development of state and federal policy on numbering matters. On behalf of the Ad Hoc Telecommunications Users Committee, Ms. Baldwin participated in the Numbering Resource Optimization Working Group (NRO-WG), and in that capacity, served as a co-chair of the Analysis Task Force of the NRO-WG. She has also provided technical assistance to consumer advocates in the District of Columbia, Illinois, Iowa, Massachusetts, and Pennsylvania on area code relief and numbering optimization measures. Ms. Baldwin also co-authored comments on behalf of the National Association of State Utility Consumer Advocates in the FCC's proceeding on numbering resource optimization.

During her first years at ETI, Ms. Baldwin was the Director of Publications and Tariff Research, and, in that capacity, she trained and supervised staff in the analysis of telecommunications rate structures, services, and regulation.

Ms. Baldwin served four years as the Director of the Telecommunications Division for the Massachusetts Department of Public Utilities (now the Department of Telecommunications & Cable), where she directed a staff of nine, and acted in a direct advisory capacity to the DPU Commissioners. (The Massachusetts DTC maintains a non-separated staff, which directly interacts with the Commission, rather than taking an advocacy role of its own in proceedings). Ms. Baldwin advised and drafted decisions for the Commission in numerous DPU proceedings including investigations of a comprehensive restructuring of New England Telephone Company's rates, an audit of NET's transactions with its NYNEX affiliates, collocation, ISDN, Caller ID, 900-type services, AT&T's request for a change in regulatory treatment, pay telephone and alternative operator services, increased accessibility to the network by disabled persons, conduit rates charged by NET to cable companies, and quality of service. Under her supervision, staff analyzed all telecommunications matters relating to the regulation of the then \$1.7-billion telecommunications industry in Massachusetts, including the review of all telecommunications tariff filings; petitions; cost, revenue, and quality of service data; and certification applications. As a member of the Telecommunications Staff Committees of the New England Conference of Public Utility Commissioners (NECPUC) and the National

Association of Regulatory Utility Commissioners (NARUC), she contributed to the development of telecommunications policy on state, regional, and national levels.

Ms. Baldwin has worked with local, state, and federal officials on energy, environmental, budget, welfare, and telecommunications issues. As a policy analyst for the New England Regional Commission (NERCOM), Massachusetts Department of Public Welfare (DPW), and Massachusetts Office of Energy Resources (MOER), she acquired extensive experience working with governors' offices, state legislatures, congressional offices, and industry and advocacy groups. As an energy analyst for NERCOM, Ms. Baldwin coordinated New England's first regional seminar on low-level radioactive waste, analyzed federal and state energy policies, and wrote several reports on regional energy issues. As a budget analyst for the DPW, she forecast expenditures, developed low-income policy, negotiated contracts, prepared and defended budget requests, and monitored expenditures of over \$100 million. While working with the MOER, Ms. Baldwin conducted a statewide survey of the solar industry and analyzed federal solar legislation.

Ms. Baldwin received Boston University's Dean's Fellowship. While attending the Kennedy School of Government, Ms. Baldwin served as a teaching assistant for a graduate course in microeconomics and as a research assistant for the school's Energy and Environmental Policy Center, and at Wellesley College was a Rhodes Scholar nominee. She has also studied in Ghent, Belgium.

Record of Prior Testimony

In the matter of the Application of the New Jersey Bell Telephone Company for Approval of its Plan for an Alternative Form of Regulation, New Jersey Board of Regulatory Commissioners Docket No. T092030358, on behalf of the New Jersey Cable Television Association, filed September 21, 1992, cross-examined October 2, 1992.

DPUC review and management audit of construction programs of Connecticut's telecommunications local exchange carriers, Connecticut Department of Public Utility Control Docket No. 91-10-06, on behalf of the Connecticut Office of the Consumer Counsel, filed October 30, 1992, cross-examined November 4, 1992.

Joint petition of New England Telephone and Telegraph Company and Department of Public Service seeking a second extension of the Vermont Telecommunications Agreement, Vermont Public Service Board 5614, Public Contract Advocate, filed December 15, 1992, cross-examined December 21, 1992.

Application of the Southern New England Telephone Company to amend its rates and rate structure, Connecticut Department of Public Utility Control Docket No. 92-09-19, on behalf of the Connecticut Office of Consumer Counsel, filed March 26, 1993 and May 19, 1993, cross-examined May 25, 1993.

In the matter of the Application of Cincinnati Bell Telephone Company for Approval of an Alternative Form of Regulation and for a Threshold Increase in Rates, Public Utilities Commission of Ohio Case No. 93-432-TP-ALT, on behalf of Time Warner AxS, filed March 2, 1994.

Matters relating to IntraLATA Toll Competition and Access Rate Structure, Rhode Island Public Utilities Commission Docket 1995, on behalf of the Rhode Island Public Utilities Commission Staff, filed March 28, 1994 and June 9, 1994, cross-examined August 1, 1994.

In the Matter of the Application of The Ohio Bell Telephone Company for Approval of an Alternative Form of Regulation, Public Utilities Commission of Ohio Case No. 93-487-TP-ALT, on behalf of Time Warner AxS, filed May 5, 1994, cross-examined August 11, 1994.

In Re: Universal Service Proceeding: The Cost of Universal Service and Current Sources of Universal Service Support, Tennessee Public Service Commission Docket No. 95-02499, on behalf of Time Warner AxS of Tennessee, L.P., filed October 18, 1995 and October 25, 1995, cross-examined October 27, 1995.

In Re: Universal Service Proceeding: Alternative Universal Service Support Mechanisms, Tennessee Public Service Commission Docket No. 95-02499, on behalf of Time Warner AxS of Tennessee, L.P., filed October 30, 1995 and November 3, 1995, cross-examined November 7, 1995.

In the Matter of the Application of US West Communications, Inc. for Authority to Increase its Rates and Charge for Regulated Title 61 Services, Idaho Public Utilities Commission Case No. USW-S-96-5, on behalf of the Staff of the Idaho Public Utilities Commission, filed November 26, 1996 and February 25, 1997, cross-examined March 19, 1997.

A Petition by the Regulatory Operations Staff to Open an Investigation into the Procedures and Methodologies that Should Be Used to Develop Costs for Bundled or Unbundled Telephone Services or Service Elements in the State of Nevada, Nevada Public Service Commission Docket No. 96-9035, on behalf of AT&T Communications of Nevada, Inc., filed May 23, 1997, cross-examined June 6, 1997.

Rulemaking on the Commission's Own Motion to Govern Open Access to Bottleneck Services and Establish a Framework for Network Architecture; Investigation on the Commission's Own Motion into Open Access and Network Architecture Development of Dominant Carrier Networks, California Public Utilities Commission R.93-04-003 and I.93-04-002, co-authored a declaration on behalf of AT&T Communications of California, Inc., and MCI Telecommunications Corporation, filed on December 15, 1997 and on February 11, 1998.

Consolidated Petitions for Arbitration of Interconnection Agreements, Massachusetts Department of Telecommunications and Energy, DPU 96-73/74. 96-75, 96-80/81, 96-83, and 96-84, on behalf of AT&T Communications of New England, Inc. and MCI Telecommunications Corporation, filed February 3, 1998.

In the Matter of the Application of US West Communications, Inc. for Specific Forms of Price Regulation, Colorado Public Utilities Commission Docket No. 97-A-540T, on behalf of the Colorado Office of Consumer Counsel, filed on April 16, 1998, May 14, 1998 and May 27, 1998, cross-examined June 2, 1998.

Joint Application of SBC Communications and Southern New England Telecommunications Corporation for Approval of a Change of Control, Connecticut Department of Public Utility Control Docket No. 98-02-20, on behalf of the Connecticut Office of Consumer Counsel, filed May 7, 1998 and June 12, 1998, cross-examined June 15-16, 1998.

Fourth Annual Price Cap Filing of Bell Atlantic-Massachusetts, Massachusetts Department of Telecommunications and Energy Docket DTE 98-67, on behalf of MCI Telecommunications Corporation, filed September 11, 1998 and September 25, 1998, cross-examined October 22, 1998.

Applications of Ameritech Corp., Transferor, and SBC Communications, Inc., Transferee, For Consent to Transfer Control, Federal Communications Commission CC Docket No. 98-141, co-sponsored affidavit on behalf of Indiana Utility Consumer Counselor, Michigan Attorney General, Missouri Public Counsel, Ohio Consumers' Counsel, Texas Public Utility Counsel and Utility Reform Network, filed on October 13, 1998.

In the Matter of the Joint Application of SBC Communications Inc., SBC Delaware, Inc., Ameritech Corporation and Ameritech Ohio for Consent and Approval of a Change of Control, Public Utilities Commission of Ohio Case No.98-1082-TP-AMT, on behalf of Ohio Consumers' Counsel, filed on December 10, 1998, cross-examined on January 22, 1999.

GTE Corporation, Transferor, and Bell Atlantic Corporation, Transferee, For Consent to Transfer Control, Federal Communications Commission CC Docket No. 98-184, co-sponsored an affidavit on behalf of a coalition of consumer advocates from Delaware, Hawaii, Maine, Maryland, Missouri, Ohio, Oregon, West Virginia, and Michigan, filed on December 18, 1998.

In the Matter of the Joint Application of GTE and Bell Atlantic to Transfer Control of GTE's California Utility Subsidiaries to Bell Atlantic, Which Will Occur Indirectly as a Result of GTE's Merger with Bell Atlantic, California Public Utilities Commission A. 98-12-005, on behalf of the California Office of Ratepayer Advocate, filed on June 7, 1999.

In the Matter of the Investigation on the Commission's Own Motion Into All Matters Relating to the Merger of Ameritech Corporation and SBC Communications Inc., Indiana Utility Regulatory Commission Cause No. 41255, on behalf of the Indiana Office of Utility Consumer Counselor, filed on June 22, 1999 and July 12, 1999, cross-examined July 20, 1999.

In re Application of Bell Atlantic Corporation and GTE Corporation for Approval of the GTE Corporation - Bell Atlantic Corporation Merger, Washington Utilities and Transportation Commission UT-981367, on behalf of the Washington Attorney General Public Counsel Section, filed on August 2, 1999.

Application of New York Telephone Company for Alternative Rate Regulation, Connecticut Department of Public Utility Control Docket No. 99-03-06, on behalf of the Connecticut Office of Consumer Counsel, filed October 22, 1999.

In re: Area Code 515 Relief Plan, Iowa Utilities Board Docket No. SPU-99-22, on behalf of the Iowa Office of Consumer Advocate, filed November 8, 1999, and December 3, 1999, cross-examined December 14, 1999.

In re Application of MCI WorldCom, Inc. and Central Telephone Company - Nevada, d/b/a Sprint of Nevada, and other Sprint entities for Approval of Transfer of Control pursuant to NRS 704.329, Nevada Public Utilities Commission Application No. 99-12029, on behalf of the Nevada Office of the Attorney General, Bureau of Consumer Protection, filed April 20, 2000.

In re: Area Code 319 Relief Plan, Iowa Utilities Board Docket No. SPU-99-30, on behalf of the Iowa Office of Consumer Advocate, filed June 26, 2000 and July 24, 2000.

In re: Sprint Communications Company, L.P. & Level 3 Communications, L.L.C., Iowa Utilities Board Docket Nos. SPU-02-11 & SPU-02-13, filed October 14, 2002 and January 6, 2003, cross-examined February 5, 2003.

Illinois Bell Telephone Company filing to increase unbundled loop and nonrecurring rates (tariffs filed December 24, 2002), Illinois Commerce Commission Docket No. 02-0864, on behalf of Citizens Utility Board, filed May 6, 2003 and February 20, 2004.

Qwest Petition for Competitive Classification of Business Services, Washington Utilities and Transportation Commission Docket No. 030614, on behalf of Public Counsel, filed August 13, 2003 and August 29, 2003, cross-examined September 18, 2003.

In the Matter of the Application of CenturyTel of Northwest Arkansas, LLC for Approval of a General Change in Rates and Tariffs, Arkansas Public Service Commission Docket No. 03-041-U, on behalf of the Attorney General, filed October 9, 2003 and November 20, 2003.

In the Matter of the Board's Review of Unbundled Network Elements, Rates, Terms and Conditions of Bell Atlantic New Jersey, Inc., New Jersey Board of Public Utilities Docket No. TO00060356, on behalf of the New Jersey Division of the Ratepayer Advocate, filed January 23, 2004.

In the Matter of the Implementation of the Federal Communications Commission's Triennial Review Order, New Jersey Board of Public Utilities Docket No. TO03090705, on behalf of the New Jersey Division of the Ratepayer Advocate, filed February 2, 2004.

Unbundled Access to Network Elements, Review of the Section 251 Unbundling Obligations of Local Exchange Carriers, Federal Communications Commission WC Docket No. 04-313, CC Docket No. 01-338, sponsored affidavit on behalf of the New Jersey Division of the Ratepayer Advocate, filed October 4, 2004.

Unbundled Access to Network Elements, Review of the Section 251 Unbundling Obligations of Local Exchange Carriers, Federal Communications Commission WC Docket No. 04-313, CC Docket No. 01-338, sponsored affidavit on behalf of the Utah Committee of Consumer Services, filed October 4, 2004.

In the Matter of Verizon New Jersey, Inc. For a Revision of Tariff B.P.U.-N.J. – No. 2 Providing for a Revenue Neutral Rate Restructure Including a Restructure of Residence and Business Basic Exchange Service and Elimination of \$.65 Credit, New Jersey Board of Public Utilities Docket No. TT04060442, on behalf of the New Jersey Division of the Ratepayer Advocate, filed December 22, 2004 and January 18, 2005.

In the Matter of the Application of Verizon New Jersey, Inc. for Approval (I) of a New Plan for an Alternative Form of Regulation and (II) to Reclassify Multi-Line Rate Regulated Business Services as Competitive Services, and Compliance Filing, New Jersey Board of Public Utilities Docket No. TO01020095, on behalf of the New Jersey Division of the Ratepayer Advocate, filed January 10, 2005 and February 4, 2005.

Joint Petition of SBC Communications Inc. and AT&T Corp., Together with its Certificated Subsidiaries for Approval of Merger, New Jersey Board of Public Utilities Docket No. TM05020168, on behalf of the New Jersey Division of the Ratepayer Advocate, filed May 4, 2005 and June 1, 2005.

In the Matter of Verizon Communications Inc. and MCI, Inc., Applications for Approval of Transfer of Control, Federal Communications Commission WC Docket No. 05-75, co-sponsored affidavit on behalf of the New Jersey Division of the Ratepayer Advocate, filed on May 9, 2005.

In the Matter of the Application of Southwestern Bell Telephone, L.P., d/b/a SBC Arkansas to Set Rates for Unbundled Network Elements, Arkansas Public Service Commission Docket No. 04-109-U, on behalf of the Attorney General, filed May 27, 2005.

Joint Petition of Verizon Communications Inc. and MCI, Inc. for Approval of Merger, New Jersey Board of Public Utilities Docket No. TM05030189, on behalf of the New Jersey Division of the Ratepayer Advocate, filed July 8, 2005 and August 19, 2005.

In the Matter of Joint Petition of United Telephone Company of New Jersey, Inc. d/b/a Sprint and LTD Holding Company for Approval Pursuant to *N.J.S.A. 48:2-51* and *N.J.S.A. 48:3-10* of a change in Ownership and Control, New Jersey Board of Public Utilities Docket No. TM05080739, on behalf of the New Jersey Division of the Ratepayer Advocate, filed November 29, 2005.

In the Matter of the Board's Review of the Classification of Verizon New Jersey's Directory Assistance Services ("DAS") as Competitive and Associated Service Quality, Docket No. TX06010057, In the Matter of the Filing by Verizon New Jersey Inc. for the Reclassification of Existing Rate Regulated Services – Directory Assistance Services as Competitive, New Jersey Board of Public Utilities, Docket No. TT97120889, on behalf of the New Jersey Division of the Ratepayer Advocate, filed May 12, 2006.

In the Matter of AT&T Inc. and BellSouth Corporation Applications for Approval of Transfer of Control, Federal Communications Commission WC Docket No. 06-74, sponsored declaration with Sarah M. Bosley on behalf of the New Jersey Division of the Ratepayer Advocate, filed June 5, 2006; sponsored declaration with Sarah M. Bosley and Timothy E. Howington on behalf of the New Jersey Division of Rate Counsel, October 3, 2006.

In the Matter of Jurisdictional Separations and Referral to the Federal-State Joint Board, CC Docket No. 80-286, sponsored affidavit on behalf of the National Association of State Utility Consumer Advocates and the New Jersey Division of Rate Counsel, filed August 22, 2006.

In the Matter of the Board Investigation Regarding the Reclassification of Competitive Local Exchange Carrier (CLEC) Services as Competitive, New Jersey Board of Public Utilities Docket No. TX06120841, on behalf of the New Jersey Division of Rate Counsel, filed January 7, 2007, January 30, 2007, and February 20, 2007.

Verizon New England Inc., Bell Atlantic Communications, Inc., NYNEX Long Distance Company, Verizon Select Services Inc. and FairPoint Communications, Inc. Joint Petition for Authority to Transfer Assets and Franchise to FairPoint Communications, Inc., New Hampshire Public Utilities Commission Docket No. DT-07-011, on behalf of the Office of Consumer Advocate, filed August 1, 2007, cross-examined November 1, 2007.

In the Matter of the Commission's Investigation into Verizon Maryland, Inc.'s Affiliate Relationships, Maryland Public Service Commission Case No. 9120, on behalf of the Office of People's Counsel, filed October 29, 2007 and November 19, 2007, cross-examined November 28, 2007.

In the Matter of the Board Investigation Regarding the Reclassification of Incumbent Local Exchange Carrier (ILEC) Services as Competitive, New Jersey Board of Public Utilities Docket No. TX07110873, on behalf of the New Jersey Division of Rate Counsel, filed December 14, 2007, January 10, 2008.

In the Matter of Verizon Washington, DC Inc.'s Price Cap Plan 2007 for the Provision of Local Telecommunications Services in the District of Columbia, Public Service Commission of the District of Columbia Formal Case No. 1057, on behalf of the District of Columbia Office of People's Counsel, filed December 20, 2007, January 31, 2008.

In re Possible Extension of Board Jurisdiction over Single Line Flat-Rated Residential and Business Rates for Local Exchange Carriers, Iowa Utilities Board Docket No. INU-08-1, on behalf of Iowa Office of Consumer Advocate, filed March 17, 2008, April 28, 2008, cross-examined May 22, 2008.

Petition of the Office of Consumer Counsel for Enforcement of Quality of Service Standards for the Southern New England Telephone Company d/b/a AT&T Connecticut, Connecticut Department of Public Utility Control Docket No. 08-07-15, on behalf of the Communications Workers of America, Local 1298, filed January 30, 2009, cross-examined February 25, 2009.

In the Matter of the Board's Investigation and Review of Local Exchange Carrier Intrastate Exchange Access Rates, New Jersey Board of Public Utilities Docket No. TX08090830, on behalf of the New Jersey Division of Rate Counsel, filed February 13, 2009, April 20, 2009, June 22, 2009.

In the Matter of Appropriate Forms Of Regulating Telephone Companies, Maryland Public Service Commission, Case No. 9133, on behalf of the Communications Workers of America, filed June 1, 2009.

Petition of the Office of Consumer Counsel for Enforcement of Quality of Service Standards for the Southern New England Telephone Company d/b/a AT&T Connecticut, Connecticut Department of Public Utility Control Docket No. 08-07-15PH02, on behalf of the Communications Workers of America, Local 1298, filed September 21, 2009.

Testimony before State Legislatures:

Testified on September 24, 1997, before the Massachusetts State Legislature Joint Committee on Government Regulations regarding House Bill 4937 (concerning area codes).

Publications/Presentations

Articles on telecommunications and energy policy in trade journals, and presentations at industry associations and conferences include the following:

Reports:

"The Cable-Telco Duopoly's Deployment of New Jersey's Information Infrastructure: Establishing

Accountability” (with Sarah M. Bosley and Timothy E. Howington). Prepared for the Public Advocate of New Jersey, January 19, 2007.

“Assessing SBC/Pacific’s Progress in Eliminating Barriers to Entry: The Local Market in California Is Not Yet ‘Fully and Irreversibly Open’” (with Patricia D. Kravtin, Dr. Lee L. Selwyn, and Douglas S. Williams). Prepared for the California Association of Competitive Telecommunications Companies, July 2000.

“Where Have All the Numbers Gone? (Second Edition): Rescuing the North American Numbering Plan from Mismanagement and Premature Exhaust” (with Dr. Lee L. Selwyn). Prepared for the Ad Hoc Telecommunications Users Committee, June 2000.

“Price Cap Plan for USWC: Establishing Appropriate Price and Service Quality Incentives for Utah” (with Patricia D. Kravtin and Scott C. Lundquist). Prepared for the Utah Division of Public Utilities, March 22, 2000.

“Telephone Numbering: Establishing a Policy for the District of Columbia to Promote Economic Development” (with Douglas S. Williams and Sarah C. Bosley). Prepared for the District of Columbia Office of People’s Counsel, February 2000 (submitted to Eric W. Price, Deputy Mayor, April 6, 2000).

“The Use of Cost Proxy Models to Make Implicit Support Explicit, Assessing the BCPM and the Hatfield Model 3.1” (with Dr. Lee L. Selwyn). Prepared for the National Cable Television Association, submitted in FCC CC Docket No. 96-45, March 1997.

“The Use of Forward-Looking Economic Cost Proxy Models” (with Dr. Lee L. Selwyn). Prepared for the National Cable Television Association, submitted in FCC Docket No. CCB/CPB 97-2, February 1997.

“Continuing Evaluation of Cost Proxy Models for Sizing the Universal Service Fund, Analysis of the Similarities and Differences between the Hatfield Model and the BCM2” (with Dr. Lee L. Selwyn). Prepared for the National Cable Television Association, submitted in FCC CC Docket No. 96-45, October 1996.

“Converging on a Cost Proxy Model for Primary Line Basic Residential Service, A Blueprint for Designing a Competitively Neutral Universal Service Fund” (with Dr. Lee L. Selwyn). Prepared for the National Cable Television Association, submitted in FCC CC Docket No. 96-45, August 1996.

“The BCM Debate, A Further Discussion” (with Dr. Lee L. Selwyn and Helen E. Golding). Prepared for the National Cable Television Association, submitted in FCC CC Docket No. 96-45, May 1996.

“The Cost of Universal Service, A Critical Assessment of the Benchmark Cost Model” (with Dr. Lee L. Selwyn). Prepared for the National Cable Television Association, submitted in FCC CC Docket No. 96-45, April 1996.

“Funding Universal Service: Maximizing Penetration and Efficiency in a Competitive Local Service Environment” (with Dr. Lee L. Selwyn). Prepared for Time Warner Communications, Inc., October 1995.

“A Balanced Telecommunications Infrastructure Plan for New York State” (with Dr. Lee L. Selwyn).

Prepared for the New York User Parties, December 4, 1992.

“A Roadmap to the Information Age: Defining a Rational Telecommunications Plan for Connecticut” (with Dr. Lee L. Selwyn, Susan M. Gately, JoAnn S. Hanson, David N. Townsend, and Scott C. Lundquist). Prepared for the Connecticut Office of Consumer Counsel, October 30, 1992.

“Analysis of Local Exchange Carrier April 1988 Bypass Data Submissions” (with William P. Montgomery and Dr. Lee L. Selwyn). Prepared for the National Association of State Utility Consumer Advocates, August 1988.

“Strategic Planning for Corporate Telecommunications in the Post-Divestiture Era: A Five Year View” (with Dr. Lee L. Selwyn, William P. Montgomery, and David N. Townsend). Report to the International Communications Association, December 1986.

“Competitive Pricing Analysis of Interstate Private Line Services.” Prepared for the National Telecommunications Network, June 1986.

“Analysis of Diamond State Telephone Private Line Pricing Movements: 1980-1990.” Prepared for Network Strategies, Inc., April 1985.

“Analysis of New York Telephone Private Line Pricing Movements: 1980-1990.” Prepared for Network Strategies, Inc., February 1985.

Presentations:

“Broadband: Where it is, where it ain’t, and where it oughta be,” June 29, 2009, National Association of State Utility Consumer Advocates Mid-Year Meeting, Boston, Massachusetts.

“Deregulation and Price Increases: The Hallmarks of a Competitive Market?” November 18, 2008; 2008 National Association of State Utility Consumer Advocates Annual Meeting, New Orleans, Louisiana.

“Forbearance: What is it? What’s wrong with it? How to fix it,” November 12, 2007; “Net Neutrality – Not Dead Yet!,” November 13, 2007; 2007 National Association of State Utility Consumer Advocates Annual Meeting, Anaheim, California.

“FCC’s Regulatory Stance – Consumer Advocates’ Role More Important Than Ever,” 2005 National Association of State Utility Consumer Advocates Winter Meeting, March 2, 2005, Washington, D.C.

“Impact of Federal Regulatory Developments on Consumers and Consumers’ Impact on Regulatory Developments,” Presentation for the Washington Attorney General’s Office, Seattle, Washington, May 27, 2003.

“The Finances of Local Competition” Presentation at the New England Conference of Public Utilities Commissioners 54th Annual Symposium, Mystic, Connecticut, May 21, 2001.

“Facilities-Based Competition” Presentation at the New England Conference of Public Utilities Commissioners 52nd Annual Symposium, Bretton Woods, New Hampshire, May 24, 1999.

“Exploring Solutions for Number Exhaust on the State Level” and “A Forum for Clarification and Dialogue on Numbering Ideas,” ICM Conference on Number Resource Optimization, New Orleans, Louisiana, December 10-11, 1998.

“Telecommunications Mergers: Impact on Consumers,” AARP Legislative Council 1998 Roundtable Meeting, Washington, D.C., November 18, 1998

“Consumer Perspectives on Incumbent Local Exchange Carrier Mergers,” National Association of Regulatory Utility Commissioners 110th Annual Convention, Orlando, Florida, November 11, 1998.

Federal Communications Commission En Banc Hearing on “Proposals to Revised the Methodology for Determining Universal Service Support,” CC Docket Nos. 96-45 and 97-160,” June 8, 1998, panelist.

“Universal Service: Real World Applications,” 1997 National Association of State Utility Consumer Advocates Mid-Year Meeting, Charleston, South Carolina, June 9, 1997.

“Modeling operating and support expenses” and “Modeling capital expenses,” panelist for Federal-State Joint Board on Universal Service Staff Workshops on Proxy Cost Models, January 14-15, 1997, CC Docket 96-45.

“Evaluating the BCM2: An Assessment of Its Strengths and Weaknesses,” presentation to the AT&T Cost Team (with Michael J. DeWinter), December 4, 1996.

“Interpreting the Telecommunications Act of 1996 Mandate for the Deployment of Advanced Telecommunications Services in a Fiscally Responsible and Fully Informed Manner” (with Helen E. Golding), *Proceedings of the Tenth NARUC Biennial Regulatory Information Conference*, Volume 3, September 11-13, 1996.

“Making Adjustments to the BCM2.” Presentation to the Staff of the Federal-State Joint Board on Universal Service, September 16, 1996.

“Converging on a Model: An Examination of Updated Benchmark Cost Models and their Use in Support of Universal Service Funding.” Presentation to the National Association of Regulatory Utility Commissioners Summer Committee Meetings, July 22, 1996.

“The Phone Wars and How to Win Them” (with Helen E. Golding). *Planning*, July 1996 (Volume 62, Number 7).

“ETI's Corrections to and Sensitivity Analyses of the Benchmark Cost Model.” Presentation to the Staff of the Federal-State Joint Board on Universal Service,” May 30, 1996.

“Redefining Universal Service.” Presentation at the *Telecommunications Reports* conference on “Redefining Universal Service for a Future Competitive Environment,” Washington, D.C., January 18, 1996.

“Funding Universal Service: Maximizing Penetration and Efficiency in a Competitive Local Service Environment,” (with Lee L. Selwyn, under the direction of Donald Shephard), a Time Warner

Communications Policy White Paper, September 1995.

“Stranded Investment and the New Regulatory Bargain,” (with Lee L. Selwyn, under the direction of Donald Shephard), a Time Warner Communications Policy White Paper, September 1995.

“New Frontiers in Regulation.” Presentation to the New England Women Economists Association, December 12, 1995.

“Local Cable and Telco Markets.” Presentation at the New England Conference of Public Utilities Commissioners 46th Annual Symposium, Dixville Notch, New Hampshire, June 29, 1993.

“Relationship of Depreciation to State Infrastructure Modernization.” Presentation at the *Telecommunications Reports* conference on “Telecommunications Depreciation,” Washington, D.C., May 6, 1993.

“Crafting a Rational Path to the Information Age.” Presentation at the State of New Hampshire's conference on the “Twenty-First Century Telecommunications Infrastructure,” Durham, New Hampshire, April 1993.

“The Political Economics of ISDN,” presentation at the John F. Kennedy School of Government seminar on “Getting from Here to There: Building an Information Infrastructure in Massachusetts,” March 1993.

“ISDN Rate-Setting in Massachusetts.” *Business Communications Review*, June 1992 (Volume 22, No. 6).

“The New Competitive Landscape: Collocation in Massachusetts.” Presentation at TeleStrategies Conference on Local Exchange Competition, Washington, D.C., November 1991.

“Telecommunications Policy Developments in Massachusetts.” Presentations to the Boston Area Telecommunications Association, October 1989; March 1990; November 1990; June 1992. Presentation to the New England Telecommunications Association, March 1990.

“Tariff Data is Critical to Network Management.” *Telecommunications Products and Technology*, May 1988 (Volume 6, No. 5).

“How to Capitalize on the New Tariffs.” Presentation at Communications Managers Association conference, 1988.

“Auction Methods for the Strategic Petroleum Reserve” (With Steven Kelman and Richard Innes). Prepared for Harvard University Energy Security Program, July 1983.

“How Two New England Cities Got a \$100 Million Waste-to-Energy Project” (with Diane Schwartz). *Planning*, March 1983 (Volume 49, Number 3).

“Evaluation of Economic Development and Energy Program in Lawrence, Massachusetts.” (with Richard Innes). Prepared for U.S. Department of Energy, August, 1982.

“Energy Efficiency in New England's Rental Housing.” New England Regional Commission, 1981.

“Low Level Radioactive Waste Management in New England.” New England Regional Commission, 1981.

“The Realtor's Guide to Residential Energy Efficiency.” Prepared for the U.S. Department of Energy and the National Association of Realtors, 1980.

Advisor to:

United States General Accounting Office Report to the Subcommittee on Antitrust, Business Rights and Competition, Committee on the Judiciary, U.S. Senate, *Characteristics and Competitiveness of the Internet Backbone Market*, GAO-02-16, October 2001.

Exhibit SMB-HSC-1 Removed from Public Version
(producing party did not provide a redacted version)



[Home](#) » [Residential Products](#) » [Internet](#) » Standalone High-Speed Internet*

Standalone High-Speed Internet*

» [Overview](#)

Available for **NEW** Frontier customers only. Here's an option that does not require a Frontier phone line.

At up to 3 Mbps, FrontierFast High-Speed Internet is:

- **Breakthrough Speeds** at an **Unbeatable Price**
- Speed, reliability, and security
- A dedicated connection that won't bog down during peak hours. There's no neighborhood sharing
- Always on, always fast, always secure
- Safe, secure [Frontier Mail](#) and a personal online portal powered by [Yahoo!](#)
- The complete suite of CA Security online protection
- Easy, professional installation within a two-hour time window
- Live U.S.-based Technical Support...24/7/365



Included at **no additional charge**, anti-spyware software from CA, Inc. protects your computer from hackers, Trojans and Worms as well as spyware, PC Viruses, Pop-Ups and E-mail Spam.

FREE Special Features included with Frontier High-Speed Internet Max:

- Web-based E-mail account + 8 additional e-mail addresses (enough for each family member to have their own!), each with 5 GB of storage space.
- Technical Support provided by real people, 24 hours a day, 365 days a year.
- 5 GB of web storage per e-mail address to create your home page.



✉ [Share with Friends](#)

**Prices Starting At
\$54.99**

[Find out now](#) if Frontier High-Speed Internet service is available in your area.

Frontier High-Speed Internet Lite – 768K

- While not as fast, High-Speed Internet Lite still provides downloads up to 8 times faster than dialup.
- Download files and e-mail attachments in a flash! No more waiting for web pages to load.

FREE Special Features included with Frontier High-Speed Internet Lite - 768K:

- Web-based e-mail + 5 additional e-mail addresses (enough for each family member to have their own!), each with 10 MB of storage space.
- Technical Support provided by real people, 24 hours a day, 365 days a year.

Available Add-on:

Anti-Spam Technology that allows you to manage, control and greatly reduce unwanted e-mail for the low cost of \$2.99/month.



 [Share with Friends](#)


**Prices Starting At
\$34.99**

Choose a Standalone High-Speed Internet option from above and add a phone line with Security Calling.

Get a phone line with a dedicated number that allows you to only make Emergency 911 and local calls but does not have the ability to receive calls.

High-Speed Internet Max with Security Calling




 [Share with Friends](#)

**Prices Starting At
\$57.98**

High-Speed Internet Lite with Security Calling



 [Share with Friends](#)

**Prices Starting At
\$37.98**

[Print Page](#) | [Close Window](#)

[Home](#) [My Account](#) [Contact Us](#) 585-214 (Rochester, NY) [Change](#)[Home](#) » [Residential Products](#) » [Internet](#) » Frontier High-Speed Internet [Printable View](#)[Online Bill Payment](#)[ShopFrontier](#)[Frontier Residential](#)[Value Packages](#)[Telephone](#)[Television](#)[Internet](#)[PC Support & Services](#)[My Wi-Fi](#)[Frontier Business](#)[Value Packages](#)[Data & Internet](#)[Voice & Features](#)[Managed Services](#)[Television](#)[PC Support & Services](#)[My Wi-Fi](#)[Internet Solutions](#)[Equipment](#)[Residential Agent](#)[Business Agent](#)

Frontier High-Speed Internet

[Overview](#) [Features](#)

At up to 10 Mbps, **FrontierFast** High-Speed Internet is:



- **Breakthrough Speeds** at an **Unbeatable Price**
- Speed, reliability, and security
- A dedicated connection that won't bog down during peak hours. There's no neighborhood sharing
- Always on, always fast, always secure
- Safe, secure [Frontier Mail](#) and a personal online portal powered by [Yahoo!](#)
- The complete suite of CA Security online protection
- Easy, professional installation within a two-hour time window
- Live U.S.-based Technical Support...24/7/365

Included at **no additional charge**, anti-spyware software from CA, Inc. protects your computer from hackers, Trojans and Worms as well as spyware, PC Viruses, Pop-Ups and E-mail Spam.

FREE Special Features included with Frontier High-Speed Internet Max:

- Web-based E-mail account + 8 additional e-mail addresses (enough for each family member to have their own!), each with 5 GB of storage space
- Access to [ESPN360](#) featuring Live sporting events and programming, including games you won't see anywhere else
- Technical Support provided by real people, 24 hours a day, 365 days a year.
- 5 GB of web storage per e-mail address to create your home page.

[BUY NOW](#)[Share with Friends](#)

Prices Starting At
\$44.99

[Find out now](#) if Frontier High-Speed Internet service is available in your area.

Frontier High-Speed Internet Lite – 768K

- While not as fast, High-Speed Internet Lite still provides downloads up to 8 times faster than dialup.
- Download files and e-mail attachments in a flash! No more waiting for web pages to load.

FREE Special Features included with Frontier High-Speed Internet Lite - 768K:

- Web-based e-mail + 5 additional e-mail addresses (enough for each family member to have their own!), each


with 10 MB of storage space.

- Technical Support provided by real people, 24 hours a day, 365 days a year.

Available Add-on:

Anti-Spam Technology that allows you to manage, control and greatly reduce unwanted e-mail for the low cost of \$2.99/month.

BUY NOW

 [Share with
Friends](#)

**Prices Starting At
\$39.99**

BUNDLE YOUR  **INTERNET**

frontier
Welcome to the New Frontier

powered by
YAHOO! SEARCH
Web Search

Help & Support

Contact Frontier
Billing & Payment Information
Locate Retail Stores
Technical Support

Programs

Customer Referral
Community Connections
Discount Programs
Advertise with Us

Corporate

Careers
Investor Relations
Corporate Communications

Legal & Regulatory

Policies
Terms and Conditions
Carrier Services
Tariffs

©2009 Frontier Communications Corporation. All rights reserved. [E-mail This Page](#)

Exhibit SMB-HSC-3 Removed from Public Version
(producing party did not provide a redacted version)

Exhibit SMB-HSC-4 Removed from Public Version
(producing party did not provide a redacted version)

Tech That Matters

DSL VDSL is at 100 meg over short distances, ready to double with DSM. Bonding also doubles speed. Improved performance reaches significant % of unserved. DSL repeaters very cheap way to bring “up to 6 meg” longer distances (~\$200).

Cable 30M homes can now get 50 meg down DOCSIS 3.0. 60% of U.S. in 2010-2011

85+% in 2013-2014. Upstream 50 meg at Comcast starting in months.

Specification designed to go to a shared gigabit. 95-99% reliable speed; balance still over 10 megabits. < \$100/home, fast to deploy

Fiber GPON 200 meg both directions \$200-400 gear Verizon FiOS <\$700/home passed. Costs dropping. \$20K/mile to run fiber – raises cost for low density

Wireless LTE/WiMAX 4-10 megabit typical. 95% of U.S. 2013 (McAdam, VZ) Shared 30-120 meg, so heavy HD TV use a problem. Nearly everyone will carry a phone better than today's iPhone. Extraordinary opportunities to create spectrum in many ways, starting with “use it or lose it” renewals and femtocells, then expanding non-interference to many more bands. (White space throughout)

Other: HD Voice, High cost switches eliminated, HD TV as costs come down

Biggest steps to broadband for all

Goal: 2011 98-99% megabits, 80% 50 meg, happy POTUS

Bring down backhaul cost by special access or overbuild. Reduce from \$110/mbps to perhaps 2.5 times urban cost of \$5-10.

Reach 40-70% of "unserved" for under \$500/home. That's easy: 30-40% of "unserved" can get cable TV but not data and are cheap upgrades. Many of rest can be reached with new towers or DSL repeaters. Do these first.

Save subsidies for costs companies won't cover. In particular, don't use public money for "success-based capex," such as any home connection or most switches/routers. Those are only needed when there are paying customers. Mobile 3G/4G gear are usually cheap enough they will be installed on almost any tower with backhaul.

Establish standard costs for broadband subsidies. Typical RUS project costs 2-5 times what similar private projects costs. Real scandal. Cable/DSL should be less than \$500, fiber < \$1500 unless long runs of new fiber required.

Decide whether the last 1-2% get subsidies in the \$10K+/home range or better satellite?

Cell site exemption eliminated to encourage more 4G companies.

Understand "incidence of subsidy." Is money – such as lifeline broadband – going to the public purpose or company profits. Follow the money - cui bono
Transparency on all subsidized costs so folks like me can spot abuses.

Need Help?**Residential Business Wireless My Verizon**[News Center Homepage](#)
[Images](#)
[Video and Audio](#)
[Fact Sheets](#)
[Speeches, Bios](#)
[Investor Relations](#)
[Verizon Wireless News](#)
[Verizon Business News](#)**Search News Releases** [Advanced Search](#) [Subscribe to RSS News Feeds](#) [Subscribe to E-mail Alerts](#)**Featured Press Kits**[Verizon Increases Speeds of FiOS Internet and Launches Promotions for Broadband and TV Bundles](#)[Verizon Launches FiOS1 All-News Channel in Long Island and Northern New Jersey](#)[Green Press Kit](#)[See All Press Kits](#)**Media Contacts**[Verizon Corporate and Telecom](#)[Verizon Business](#)[Verizon Wireless](#)**More Consumers in Seven Ohio Communities Have Access to Fast, Affordable Verizon High Speed Internet Service***Expansion Part of Verizon's Three-Year, \$13.5 Million Investment in Broadband Across Ohio***News Release**[ShareThis](#)

December 22, 2008 – TROTWOOD, Ohio - More consumers and businesses in seven Ohio communities now have access to Verizon High Speed Internet, allowing them to quickly download movies, share photos or video with friends and family, and create their own Internet content.

Verizon this year installed high-speed Internet equipment, based on digital subscriber line (DSL) technology, at the company's communications facilities in Englewood, Liberty, Oxford, Tipp City, Trotwood, Troy and West Milton. Verizon, operating under an alternative regulatory plan approved by the Public Utilities Commission of Ohio, has invested more than \$13.5 million since 2006 to bring broadband access to more than 37,000 additional phone lines across the state.

"Verizon is enabling more residents across Ohio to make the high-speed connections that are important to them," said Todd Colquitt, president of Verizon Ohio. "Verizon's ongoing, significant investment in these communities means that many more customers have access to affordable high-speed Internet service, backed by the reliability and security of Verizon's network."

Verizon High Speed Internet subscribers have access to an extensive collection of features and services, including online protection with Verizon Internet Security Suite; Verizon Enhanced Email; Verizon Premium Tech Support; Online gaming; free news from ABC News Now; free sports from ESPN360; and more.

Verizon High Speed Internet service is delivered on a dedicated line from Verizon's central switching office to the customer's home or business and is backed by live, 24 x 7 customer service and technical support. The service typically is available to residents and businesses that are located within approximately three miles of the company's central switching offices.

"We have some great promotional offers in place right now for new customers, so this is the perfect time to sign up for Verizon High Speed Internet service," said Colquitt.

Verizon's entry-level High Speed Internet service offers speeds of upto1 Mbps (megabits per second) downstream and 384 Kbps (kilobits per second) upstream. Consumers can order the new entry-level service for \$9.99 per month for the first six months with a one-year contract. Under the contract, monthly pricing for the remainder of the annual plan will be \$25.99 per month. New customers who order the up-to-1 Mbps/384 Kbps service can receive the first month free when ordering online at www.verizon.net/highspeed.

Consumers who want faster speed can order Verizon's up-to-3 Mbps/768 Kbps service for \$19.99 for the first six months as part of an annual plan, with the following six-month pricing of \$33.99 per month. The up-to-3 Mbps service delivers download speeds 50 times faster than dial-up. Residential consumers can call **800-483-4000** or visit www.verizon.net/highspeed to check their eligibility, or to place orders.

Verizon High Speed Internet for Business packages offer a choice of speeds, static IP addresses, remote dial-up access, networking and domain name e-mails. Area businesses can get more information about service availability and pricing by calling **888-376-3365** or visiting www.verizon.com/businessdsl.

Broadband Speeds, Value-Rich Bundles for Every Lifestyle

For \$99.99 a month for a year, customers can select a triple-play bundle of Verizon High Speed Internet service at up to 3 Mbps, unlimited local and nationwide long-distance voice service with several calling features and DIRECTV's PLUS DVR package with more than 200 digital TV channels and DVR service, plus a free DVR upgrade and SHOWTIME premium movie channels for 12 months.

For \$119.99 a month for a year, customers can obtain a triple-play bundle of Verizon High Speed Internet service at speeds up to 3 Mbps, unlimited local and nationwide long-distance voice service with several calling features and DIRECTV's PLUS HD DVR package with more than 200 digital TV channels and DVR service, plus a free HD-DVR upgrade and SHOWTIME and Starz premium movie channel packages for 12 months.

Double-play bundles range in price from \$49.99 to \$79.99 per month and offer unlimited local and nationwide long-distance phone service plus Verizon High Speed Internet service. Double-play bundles featuring unlimited local and nationwide long-distance phone service plus DIRECTV service range from \$64.99 to \$104.99 per month. Additional services and upgrades are also offered with these bundles.

Residential customers interested in Verizon's new bundles can call **1-800-483-4000** or visit www.verizon.com/bundles.

Verizon Communications Inc. (NYSE:VZ), headquartered in New York, is a leader in delivering broadband and other wireline and wireless communication innovations to mass market, business, government and wholesale customers. Verizon Wireless operates America's most reliable wireless network, serving nearly 71 million customers nationwide. Verizon's Wireline operations include Verizon Business, which delivers innovative and seamless business solutions to customers around the world, and Verizon Telecom, which brings customers the benefits of converged communications, information and entertainment services over the nation's most advanced fiber-optic network. A Dow 30 company, Verizon employs a diverse workforce of more than 228,000 and last year generated consolidated operating revenues of \$93.5 billion. For more information, visit www.verizon.com.

####

Media Contact:

[Lee Gierczynski](#), 412-633-5574

[About Us](#) | [Contact Us](#) | [Store Locator](#) | [Careers](#) | [Verizon Foundation](#) | [Site Map](#) | [Privacy Policy](#) | [Terms and Conditions](#) | [Site Feedback](#)

© 2009 Verizon

Exhibit SMB-HSC-7 Removed from Public Version
(producing party did not provide a redacted version)